

THE ROLE OF SOCIAL CAPITAL IN FRENCH ENTREPRENEURIAL NETWORKS AT THE PRE- ORGANISATION STAGE

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The candidate confirms that the work submitted is her own and that appropriate credit has been given where reference has been made to the work of others.

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ABSTRACT

This thesis contributes to the extant literature on entrepreneurial networks and social capital through its investigation of the role of social capital in French entrepreneurial networks at the pre-organisation stage. The target of the research are former Grande Ecole graduates, Anciens, who have created their own company. This study adds to the extant literature through its three-dimensional focus on social capital: The structural dimension which investigates who are part of the entrepreneurial networks and at what stage they become influential; the relational side which explores the contributions each tie brings to the entrepreneurial venture and the cognitive dimension, which explains the values the entrepreneurs have, and how these are shared between the entrepreneur and those embedded in the network. A multi-method approach was adopted in line with the objectives of the study consisting of semi-structured interviews, participant observation and repertory grids. In particular the latter is a tool that has to date been under-exploited in entrepreneurial network and social capital research.

There are a number of significant contributions this research makes to the extant literature on entrepreneurial networks and social capital, one of which is the development of a phases' model for entrepreneurial network dynamics at the pre-organisation stage. This study also adds to the existing knowledge by linking Bourdieu & Wacquant's (1992) definition of social capital and the concept of 'habitus' to the three dimensions of social capital. The three-dimensional investigation of social capital contributes to a unique understanding of the interrelatedness of the three dimensions of social capital. The research confirms the key role of Anciens as individuals with whom the entrepreneur shares an educational and a professional habitus, which arguably creates the basis for a 'pensée unique' that impacts the way entrepreneurs create and manage their networks at the pre-organisation stage. The work concludes outlining the implications of the findings for business support and education policies, suggesting a framework for the typical career path of a Grande Ecole entrepreneur.

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Chapter 1: Introduction

1.1: The French context

The context for the development of small business and entrepreneurship has undergone dramatic change over the past 25 years. The growing internationalisation and globalisation of the world economy has triggered structural changes affecting national and regional economies. The removal of government-imposed barriers that segregated and protected domestic markets and recent technological advances in manufacturing, transportation and telecommunications create new opportunities for small business that are flexible, adaptable and dynamic enough to seize these opportunities (Commission of the European Communities 2005, Wright & Dana 2003). These issues have also been recognised by supranational institutions such as the World Bank, the OECD, the European Union as well as national and regional governments which has resulted in a multitude of initiatives, programmes, projects and conferences at different levels. As Gibb (2002) acknowledged, 'enterprise culture' has become the sine qua non of the political response to globalisation.

Whereas the world economy has seen a significant increase in growth throughout the period of 2004/05 European economies such as France and Germany, have lost out and in particular in France industrial production has stagnated. In 2003 French GDP was roughly the same as that of the UK (1.773.2 bn US\$), yet it was significantly lower than that of Germany (2.377.7 bn US\$). At the same time inflation averaged around 2.1% which was higher than in the UK (1.4%) and in Germany (1.1%) (Honoré 2006). Factors such as a weak dollar, a very strong outside competition and an increase in Chinese exports have contributed to this situation. In fact, the Growth Competitiveness Index of the World Economic Forum placed France in 30th position compared to other 'good students' such as Finland (1st) and Sweden (3rd) (Betbèze et al. 2006).

Looking in more detail at the economic tissue of France we find that there are about 60 million inhabitants and there were officially 2.568,650 enterprises in France in January 2004, of which, according to INSEE (2005), 177,920 were small and medium-sized enterprises (SMEs) which represented 52 % of national value added. In 2002 one in two French companies did not have any employees and 92.5% employed less than 10 people. These very small companies represented 29% of all employment and 28% of total value added among all French companies (INSEE 2005). Only 7.3% of French

companies employed between 10 and 249 and only 0,2% more than 250 people. In fact, only 1,800 companies had more than 500 employees (INSEE 2005).

Although these figures highlight the importance of the small business sector for the French economy, there is little doubt that French groups have always had a pivotal role in the French economy and in particular since the Trente Glorieuses, the 30 years after WWII (also see Chapter 2). These big groups are well represented in car manufacturing and in the energy sector where they employ 9 in 10 people, they are slightly less important in intermediary goods and capital good industries, where they represent 7 in 10 employees (INSEE 2005)

As Fayolle (2004b) comments, interest in entrepreneurship and enterprise creation is a recent phenomenon in France and in particular entrepreneurship research is still in an embryonic phase (Carayannis, Evans & Hanson 2003, Verstraete & Fayolle 2005). As Bechard (1994), Drillon et al. (2004), Fayolle (1999a, b) and Frugier & Verzat (2005) highlight, enterprise creation by Higher Education graduates is still a very marginal phenomenon and entrepreneurial intention is not very developed among young people in France, which is different from the US (Fayolle 1999) (see Chapter 2).

Yet, change is on its way. Since Claude Allègre, former Minister of National Education and Research, launched an appeal to encourage an entrepreneurial spirit in the French education system in 1998 (Fayolle 2004), comprehensive action to encourage entrepreneurship has become increasingly recognised as vital for French post-industrial society due to its contribution to economic regeneration, regional economic development and employment generation (Fayolle 2004, Girard 2002, Martin 2002, Worms et al. 2005). In fact, a recent survey showed that 11.5 million people want to create their own company, 2.4 million of whom within the next couple of years (APCE.com 2005, accessed on 27.08.2007). Moreover, since 2003 the number of annual creations has averaged around 320,000 which represents a significant increase compared to the 1990s (see Chapter 2). Much of this change has been attributed to a range of policy measures such as 'la Loi Dutreil'(2003) (see Chapter 2).

1.2 This thesis

This thesis sets out to examine aspects of entrepreneurial network development and focuses specifically on how alumni, also later referred to as ‘Anciens’, from a French elite Grande Ecole gain their inspiration, knowledge and support to set up their own business through the social capital they involve at the pre-organisation stage. The ESC Rouen, whose Anciens are the central players in this thesis, is the second eldest Management Grande Ecole in France and part of the French higher education (HE) system which dates back to the late 18th century (MacLean 2002). The latter is characterised by a tri-partite organisation consisting of universities, Grandes Ecoles (these include both management and engineering schools) and other Higher and Further Education institutes (see Chapter 2).

As Hémerly (2005) highlights, the network of the Grandes Ecoles is one of the major triumphs of the Grande Ecole system in the way that it is a useful tool to finding internships and employment. As a result, Grandes Ecoles such as the ‘Ecole de Management de Grenoble’ and ‘Sciences-Po Paris’ regularly publish information about the network of the ‘Anciens’ on their websites (Hémerly 2005). The ESC Rouen, whose Anciens I investigate in this thesis, is no exception to this.

The importance of this network of ‘Anciens’, which is unique to the French Grande Ecole system, triggered my interest in the subject, as, to date, to my knowledge, no study exists that has explored the role of social capital in entrepreneurial networks of Anciens at the pre-organisation stage. Arguably, the network of the Anciens can play a key role in the process of enterprise creation. In fact, one of the results from a roundtable table on entrepreneurship I organised in September 2005, was the launch of a ‘Club des Entrepreneurs et Repreneurs’ (Club of Enterprise Creation and Takeovers) by Anciens in spring 2006. One of the goals of this club is to support and assist ESC students (former and present) in their efforts to create or take over a company. The importance of the entrepreneurial entourage for the entrepreneurial venture was also highlighted in a recent INSEE survey that found that 70% of all entrepreneurs who survived a 5 year period knew somebody who had either created or taken over a company (Fabre 2006b). Hence having role models in the entrepreneurial network may be key to the success of the entrepreneurial venture.

Being German, but working in a Grande Ecole (ESC Rouen) and speaking French fluently, has given me a unique insight into the French HE system, French business culture, but also aspects of entrepreneurship and enterprise creation. I have pursued my interests in entrepreneurship through the investigation of French students' attitude towards enterprise creation, which has resulted in a number of publications, see for instance Klapper (2005a,b) and Klapper & Léger Jarniou (2006). My concern was triggered by the lack of actual creations by Anciens within and outside the Grande Ecole context as well as the low level of interest of the student population in the subject. Arguably, some of this is due to the nature of the French Grande Ecole system which aims to prepare students for senior management positions in large companies (see Chapter 2). The initial research established some understanding about French student culture, French entrepreneurship and cultural issues that may hinder or promote entrepreneurship and I argue that this study presents, to some extent, a logical extension to earlier work.

1.3 The contribution to knowledge

One of the major questions this thesis was to address is the issue of where my contribution to knowledge would lie. I argue that this thesis would add to existing knowledge in a number of different ways:

First, and perhaps most significant of all, the research will focus on the social capital in entrepreneurial networks of Anciens of the ESC Rouen. As highlighted earlier, the Grandes Ecoles are part of the French HE system, set up with the social imperative to train the senior managers needed by the state and later by the large state-run conglomerates created during the Trente Glorieuses (see Chapter 2). With the changing imperative of French politics in the 1990s (Chapter 2) the Grandes Ecoles have increasingly been presented with the challenge to provide and train entrepreneurs for French society. It is clear that this is not an easy task. Furthermore the literature review highlights that there is little information available about entrepreneurial Grande Ecole students and their entrepreneurial networks in the different phases of the entrepreneurial venture within the French context, a fact confirmed following discussions with the Director of the *Observatoire des Pratiques Pédagogique en Entrepreneuriat* (Observatory for Pedagogical Teaching Practices in Entrepreneurship, OPPE), founded in 2001. Given this background, a research study that investigates the entrepreneurial activities of former Grande Ecole students offers a unique insight into the way these

entrepreneurs think and how they create and manage the social capital in their entrepreneurial networks.

Second, the research will represent a unique mix of Anglo-Saxon and French approaches to entrepreneurship and enterprise creation. Whereas French researchers such as Christian Bruyat, Alain Fayolle, Bernard Saporta and Thierry Verstaete are aware of the ground-breaking work done by Anglo-Saxon scholars the same can, however, not be said about the Anglo-Saxon academics; one of the reasons simply lies in the linguistic barrier as French entrepreneurship literature is not necessary accessible to any Anglo-Saxon researcher nor can any French researcher publish in English, some notable exceptions are Alain Fayolle and Thierry Verstraete.

Third, one of the principal contributions I hope the study will offer is an investigation of social capital from a three-dimensional perspective: structural, relational and cognitive, which responds to Liao & Welsch's (2005) demand for more multi-dimensional research on social capital, exploring *all* three dimensions of social capital. As illustrated by the literature review in Chapters 3 and 4 much research has focussed on the structural and relational dimension, yet significant less on the cognitive side and even fewer studies have explored all three dimensions of social capital. A major contribution to existing knowledge is made in this area.

Fourth, resulting from the investigation of the structural dimension of social capital the study will contribute with a 'phases' model' of entrepreneurial networking and add to understandings of entrepreneurial network development at the all important pre-organisation stage (Chapter 6).

Fifth, this research will contribute to the development of a number of models detailing the different roles and contributions of family, friendship and professional ties at the pre-organisation stage (see Chapters 7-9), highlighting the important role of Anciens throughout the venture creation process.

Sixth, the study will add to the extant knowledge on entrepreneurial cognition through an investigation into the cognitive dimension of social capital (see Chapter 10), facilitated through the use of repertory grids (see Chapter 5), a tool, to date,

underexploited in entrepreneurship research. The latter were employed to shed light on how entrepreneurs perceive their network ties at the pre-organisation stage.

Seventh, the research will integrate both longitudinal and retrospective cases in order to explore the role of social capital at the pre-organisation stage and thus respond to the growing concern of researchers such as Davidsson & Honig (2003), Ripsas (1998) and Wennekers & Thurik (1999) that the existing knowledge about entrepreneurship at the emergence stage is still very limited.

Eighth, the study will contribute to our knowledge about founder teams, which is, according to Davidsson & Wiklund (2001), an under-researched area. As Witt (2004) highlights, existing research on entrepreneurial networks focuses on individual entrepreneurs which may not be an adequate reflection of entrepreneurial reality given the growing numbers of start-ups by teams of entrepreneurs. Seven cases (see Chapter 5) were created by teams. The results are expected to contribute to the extant literature (see Chapters 8-9).

1.4 Research Subject and Organisation of the Thesis

This study combined a longitudinal with retrospective cases to develop a theoretical understanding of

The role of social capital in French entrepreneurial networks at the pre-organisation stage

In recognition of the three-dimensional nature of social capital (see Chapter 4) and the latter's role in the development of entrepreneurial ventures, and against the paucity of information on the entrepreneurial networks of French Grande Ecole graduates this research study can be characterised as investigating the above with four more focussed research questions which aimed to establish Who would be involved at what stage (When) with What contribution and Why in the entrepreneurial venture. In line with these guiding questions the study sets out to pursue the following objectives:

1. To conduct a qualitative study in a number of organisations to understand the role of social capital at the pre-organisation stage using appropriate research methods.

2. To establish the entrepreneurial perception of the different phases, associated activities and ties involved in the entrepreneurial venture.
3. To investigate entrepreneurial perception of the different contributions network ties make to the entrepreneurial venture and the reasons for their involvement.
4. To explore the socio-economic, political and educational factors that impact upon entrepreneurship and enterprise creation in the French context and identify both possible impediments and facilitators to business start-up.
5. To explore the implications of being an Ancien for the process of enterprise creation in terms of social capital theory.
6. To locate the findings in the appropriate literature on entrepreneurial networking and social capital theory.
7. To develop recommendations for policy and practice in the field of entrepreneurial support.

In line with the research topic and the related objectives the thesis is organised into eleven chapters. This introduction is followed firstly by three theoretical chapters, of which the first introduces the reader to a survey of the current knowledge base about entrepreneurship and enterprise creation within the French context. I establish the socio-economic, political and educational factors that have impacted on entrepreneurship and enterprise creation and I conclude that enterprise creation by Grande Ecole graduates is still a very rare phenomenon (Chapter 2). The following two theoretical Chapters (Chapters 3 and 4) review the relevant literature on entrepreneurial networks and social capital, concluding with a positioning of this research. Chapter 5 covers the methods and methodological choices made in this research, providing details of the cases investigated in this study. Chapters 6 to 10 present the findings from the analysis of the three dimensions of social capital with Chapter 6 focussing on the structural, Chapters 7-9 on the relational and Chapter 10 on the cognitive dimension. The final Chapter (Chapter 11) rounds off the thesis with a discussion which brings out the main findings and links these to the contributions they make to the literature, but also to business support and education policies.

The following Chapter (Chapter 2) provides an overview of entrepreneurship and enterprise creation within the French context discussing the range of different factors that have worked both as impediments and facilitators.

Chapter 2 Entrepreneurship – A comprehensive review in the French context

2.1 Introduction

The preceding Chapter introduced the reader to the subject of this thesis, the four research questions as well as objectives pursued by this research. I concluded the chapter with an overview of the structure of the thesis.

This research focuses on the role of social capital in French entrepreneurial networks at the pre-organisation stage. The target of the study are former French Grande Ecole students, the Anciens. As enterprise creation is not taking place in a vacuum, but is contextually bound, this Chapter introduces the reader to the socio-economic, political, technological and educational factors that have impacted entrepreneurship and enterprise creation in France.

2.2 The importance of the context

Traditional approaches to entrepreneurship have rarely considered the contextual nature of entrepreneurship. Whereas Granovetter (1992, p. 47) viewed context as an economic institution resulting from “socially situated individuals embedded in networks of personal relations with non-economic as well as economic aims”, Johannisson et al. (1994) proposed that “the organising context carries the generic function with which to balance the entrepreneur’s need for both guidelines and independence and her/his firm’s need for stability and change. The context thus helps the entrepreneur to practically realize or enact her/his venture” (p. 330).

Following Johannisson et al. (1994) there are a number of reasons that justify a contextual approach to entrepreneurship. First, the liability of newness of a newly established venture as well as the dominance of large companies in the corporatist societies of Western Europe have created a political and institutional system that favours large-scale operations. Consequently young entrepreneurial firms need all the support they can get to acquire the legitimacy and resources to stay in business. This support would be provided by the context. Second, it has been argued elsewhere that “entrepreneurship is perpetual learning through action” (Johannisson et al. 1994, p. 330). Consequently, the context provides a learning setting for the young enterprise. Third, entrepreneurs need to manage ambiguity and the entrepreneur needs a ‘retreat’,

i.e. a local or regional or national context which balances the uncertainty of the commercial operations and where (s)he feels at home. Fourth, in the 1980s there has been a trend to create alternative national strategies to promote the competitiveness of small firms. This together with the emergence of concepts such as the 'industrial district', as a spatial agglomeration of small firms creating a local texture that compensates for the lack of resources and isolation (Prax 2004), emphasises the importance of the context for enterprise creation. Fifth, both science parks and locally initiated economic development are phenomena of the 1980s. Arguably, context here refers to the socio-economic conditions in which the entrepreneur and the venture are embedded. Sixth, the organising context encompasses values which favour entrepreneurship and will support the entrepreneur in fulfilling both his existential and materialistic expectations when launching a business venture (Johannisson 1988). Yet, there may be regional variations in values and attitudes towards entrepreneurship as well as differences in structural conditions that impact on the creation and development of new firms (Johannisson 1987b). Seventh, as Johannisson (1988) observed, the organising context may be a spring-board (supporting ecological change/enactment), a gear-box (supporting selection), a shock-absorber or defence wall (supporting retention) between the entrepreneur and environments beyond the context. Johannisson neglected, however, that the context could also work against the entrepreneur and his venture as I will illustrate in this Chapter. Schutjens & Stam (2003) also warned that contextual influence on networks and networking is rather a complex issue as contexts tend to vary and different situational and social variables interact and affect the individual (Cooper & Dunkelberg 1981, Jack & Anderson 2002). I argue that context plays a significant role in this investigation and the following discussion will illustrate France-specific aspects that have arguably created (un)favourable conditions for entrepreneurship and enterprise creation.

All thirteen ventures I investigated for this study are embedded in the French socio-economic, political and educational system; all creations share at least a common national context. Two ventures were created in Haute Normandie, a French region close to Paris, the remaining eleven were set up in or around Paris.

2.3 French Entrepreneurship research

As Fayolle (2004b) comments, interest in entrepreneurship and enterprise creation is rather a recent phenomenon in France and in particular entrepreneurship research is still

in its developing phase (Carayannis, Evans & Hanson 2003, Verstraete & Fayolle 2005). One of the earliest studies was Bruyat's (1993) pioneering PhD research (Saporta 2003) and the first journal dedicated to entrepreneurship, the *Revue de l'Entrepreneuriat*, was founded by Alain Fayolle and Thierry Verstratete in 2001.

Change has been on its way, however, due to internationalisation pressures coming from European and Anglo-Saxon accreditations such as EQUIS and AACSB. As a result, French Higher Education institutions have increasingly discovered the importance of their researchers publishing in a wider range of international journals (see for instance Bruyat & Julien 2001 and Verstraete 2003) and have subsequently promoted such efforts, in particular at Grande Ecole level. This is primarily due to a more readily available funding within the Grande Ecole context and the need to achieve high rankings in the national ranking system; accreditations such as EQUIS and AACSB have become the *sine qua non* for top French Grandes Ecoles.

One of the most prolific writers on French entrepreneurship and enterprise creation is Alain Fayolle. He recently provided a comprehensive overview of the field of entrepreneurship research identifying major currents in the literature considering both Anglosaxon and French literature (see Fayolle 2004a, 2005). He identified four different approaches to entrepreneurship research: a '*What*', '*Who/Why*' and '*How*' approach. Whereas researchers have asked the question *what* entrepreneurship is about for the past 200 years, the individual-based *who/why* approach has only been pursued since the beginning of the 1950s and the process-based *how* approach followed later at the beginning of the 1990s (for a further elaboration see Fayolle 2004a, 2005).

The '*What*' question is key, as in order to provide entrepreneurship we need to know, however, what it is about (Fayolle 2005). Yet, one of the main problems in entrepreneurship research relates to the lack of consensus regarding a definition for entrepreneurship (Bygrave & Hofer 1991, Cunningham & Lischeron 1991, Fayolle 2000, 2003, 2005, Gartner 1989,90). Following Gartner (1989) it is, however, essential to provide a definition of entrepreneurship as it gives the reader a clear sense of the study's specific research focus, which is also the view of Fayolle (2005). I take Fayolle's '*What*' approach as a starting point to discuss a selection of different definitions in use in the French context.

2.4 Definitions in French Entrepreneurship research

Having examined the French literature on entrepreneurship and enterprise creation we notice the use of different definitions, depending on whether they are used in an academic or official government context. In the academic domain French researchers such as Boutillier & Uzinidis (2000), Fayolle (2005), Verstraete (2000) and Verstraete & Fayolle (2005) tend to refer to well-known Anglo-Saxon definitions of entrepreneurship such as Gartner (1988), Hitt et al. (2001), Shane & Venkataraman (2000), and/or have developed their own conceptualisation such as Verstraete (2003). For the latter entrepreneurship is “*a phenomenon that leads to the creation of an organisation that is triggered by one or several individuals who are working together for this occasion*” (*est vu comme un phénomène conduisant à la création d’une organisation impulsée par un ou plusieurs individus s’étant associés pour l’occasion*) (own translation) (Verstraete 2003, p. 13). Verstraete (2003) and Verstraete & Fayolle (2005) made a clear distinction between the phenomenon of entrepreneurship and the entrepreneurial process. Verstraete’s definition emphasises two different aspects: the idea of ‘impulsion’, a term he prefers to the word creation; and second the notion of a symbiosis between the entrepreneur and the organisation triggered by him. For a further elaboration of the idea of ‘impulsion’ see Verstraete (2000, 2002). Verstraete (2003) commented, however, critically that entrepreneurship is a much too complex phenomenon to be reduced to one simple definition.

In comparison, for Bruyat (1993, 2001) entrepreneurship is about the relationship between the individual and the value creation aspect of entrepreneurship. He suggested the following: “*The scientific object studied in the field of entrepreneurship is the dialog between the individual and the creation of value*” (*l’objet scientifique étudié dans le champ de l’entrepreneurship est la dialogique individu/creation de valeur*) (own translation) (Bruyat 1993, p. 57). Bruyat’s conceptualisation is interesting as it suggests that new value is created in terms of more or less intense change in the environment directly concerned by the entrepreneurial process (Verstraete & Fayolle 2005).

Conversely, one of the first government reports on entrepreneurship teaching for engineers by Beranger et al. (1998) proposed two ways of defining entrepreneurship: *In terms of an activity: the total of all activities and approaches which imply the creation and development of an enterprise and more generally the creation of an activity. In terms of an academic discipline: a discipline which describes the environment and the*

process of wealth creation and social construction, starting with individual risk taking (En tant qu'activité : Ensemble des activités et des démarches qu'implique la création et le développement d'une entreprise et plus généralement la création d'activité. En tant que discipline académique : discipline qui décrit l'environnement et le processus de création de richesse et de construction sociale, à partir d'une prise de risque individuelle (own translation) (Beranger et al. 1998, p. 105). The first part of the definition views entrepreneurship as the actual creation of a business, yet leaves the possibility open to include entrepreneurial activities which do not lead to enterprise creation such as, for instance, intrapreneurship. The second part raises wider reaching issues regarding entrepreneurship as an academic discipline covering entrepreneurial teaching and learning, yet also explores both the entrepreneurial environment and the role of entrepreneurship in wealth creation and social construction. Beranger et al's definition shares elements with, for instance, the Global Entrepreneurship Monitor's (2004) definition which suggests that entrepreneurship is "any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business by an individual, teams of individuals or established business" (Harding 2004, p. 14). This broad definition allows to include both individual and team activities, yet also the creation of a new firm or expansion of an already existing firm.

A very comprehensive definition of the term entrepreneurship was also offered by Fayolle (2005), who argued:

Entrepreneurship concerns essentially the emergence and transformation of human organisations. It is not just about the reasons of this emergence, rejoining economists, sociologists, political scientists ... but is also interested in the way we can conceive and construct new activities or new organisations (L'entrepreneuriat concerne, pour l'essentiel, l'émergence et la transformation choisie des organisations humaines. Il s'intéresse ainsi non seulement aux raisons de cette émergence, rejoignant ainsi les préoccupations des économistes, des sociologues, des politologues... mais aussi à la façon dont on peut concevoir et construire de nouvelles activités ou des nouvelles organisations) (p. 40) (own translation).

Consequently Fayolle suggests four perspectives of viewing entrepreneurship: as a phenomenon, as a process, as a field that unites methods and specialised research and as a way of thinking. Fayolle's definition includes the idea of 'emergence', which goes back to Gartner (1988, p. 11) who proposed that entrepreneurship is simply "the creation of organizations, the process by which new organizations come into existence". Gartner's definition encompasses all newly created organisations and activities, yet does not neglect the importance of the process.

For the purpose of this research I have chosen the latter's definition as I have investigated the role of social capital in entrepreneurial networks at the pre-organisation stage which implies an interest in the 'coming into being' of entrepreneurial activities resulting into the creation of a venture. I focus on the process (see Chapter 5) in order to investigate the three dimensions of social capital in French entrepreneurial networks (see Chapter 1) and I argue that Gartner's definitions suits this objective.

Different from academic definitions, official statistical definitions used by government bodies propose a three-tier split of creations into businesses created ex-nihilo, re-launches and take-overs. The next section will give a more detailed overview of enterprise creation in France.

2.5 Enterprise creation: Some facts and figures

2.5.1 Introduction

Fayolle (2007) pointed out that the official government definition of entrepreneurship comprises a three-tier categorisation into 'ex-nihilo' creations (*créations ex-nihilo*) created by one or several individuals; re-launched businesses (*réactivations*), which are existing companies that have been dormant for an unspecified period of time, and take-overs (*reprise*). The latter describes the creation of a company through the partial or total takeover of activities and assets of an existing company. It is important to bear this three-tier categorisation in mind when talking about French enterprise creations.

In France 322,270 enterprises were created in 2006; 233,045 of which were created ex-nihilo, 50,451 were re-launches and 38,774 take-overs (<http://www.apce.com> accessed on 26.8.2007). Looking at businesses created ex-nihilo, the leading sector was business services with 55,379, to be followed by trade with 41,940, construction with 18,379, education with 12,396, real estate with 11,128, industry with 10,029 and domestic services with 9,735 companies. In comparison, out of the 50,451 re-launched companies in 2006 14,800 occurred in trade, 8,336 in construction and 5,823 in the hotel sector. In addition, 6,133 restaurants, 4,287 business services companies and 2,918 firms in education and 2,261 in health were re-launched.

In terms of takeovers we find that there were altogether 38,774 takeovers in 2006, the majority of which were hotels (14,170), followed by restaurants (11,537), and businesses in trade (2,970), domestic services (2,787), food processing (2,749),

construction (1,409), industry (1,326), business services (692), transport (564) and Education (311).

As the data shows, the majority of companies were created in commerce and in services. All ventures included in this research belong to the services sector, only two included a manufacturing element. Considering the development of the number of creations over the past 13 years we find that the actual number has increased by less than 50,000 between 1993 and 2006. In fact, in the 1990s the number of creations per year averaged around 270,000; the exception is 1994 with 294,114. This trend continued up to 2003, when the number of creations rose to 293,571 and to 320,016 later in 2004. Since then the actual number of creations has been relatively stable averaging around 320,000. One possible explanation for this rise in creations from 270,171 in 2002 to 293,571 in 2003 is the publication of a new law, 'la Loi Dutreil'. The latter was designed to facilitate enterprise creation in terms of administrative measures but also to assist unemployed people to create their own company. I will come back to this later in section 2.7. Table 2.1 gives an overview of the development of enterprise creations in France over the period from 1993 to 2006 (all data was provided by <http://www.apce.com>, accessed on 26.8.2007).

Dates	Ex-nihilo	Relaunches	Take-overs	Total
1993	170,904	54,405	48,138	273,447
1994	183,748	60,693	49,675	294,114
1995	178,913	59,384	46,545	284,842
1996	171,613	57,602	46,043	275,258
1997	166,836	57,853	46,385	271,074
1998	166,174	55,775	44,480	266,429
1999	169,661	56,085	43,159	268,905
2000	176,753	53,666	41,652	272,071
2001	177,027	51,995	41,560	270,582
2002	177,997	52,050	40,124	270,171
2003	199,290	54,298	39,983	293,571
2004	223,944	53,844	42,228	320,016
2005	224,830	51,167	40,832	316,829
2006	233,045	50,451	38,774	322,270

2.5.2 The importance of company size

Looking at the relationship between company size and number of creations we find that the majority of all creations (256,872 out of 322,270) did *not* involve any employees, the picture was the same for ex-nihilo creations, re-launched companies and takeovers. This compares with 36,275 companies which employed 1 to 2 people and 10,987 firms that had between 3 to 5 employees. Table 2.2 shows a breakdown of the number of creations by firm size. The figures clearly emphasise that the majority of enterprise creations (comprising all three types of creations) did not generate any additional employment except for the founder/s. This observation was also shared by a study conducted by the *Institut National de la Statistique et des Études Économiques* (INSEE), (National Institute for Statistics and Economic Studies) which compared the profile of creators between 2002 and 2006 and found a growing trend of new companies *not* to create any other employment, except for the founder him/herself (APCE 2008). This finding was again confirmed by the 2007 data which found that 87% of the newly created companies, the majority of which were set up in the field of education, health and social action, had no employees. A further important observation was a significant increase in the number of unemployed people who created their own company. In fact, 41% of all creators had been unemployed in 2006, in the previous years the figure averaged around 35% (APCE 2008).

Furthermore, ex-nihilo creations generated in total 419,500 (66.6%), re-launches 70,500 (11.2%) and takeovers 139,500 (22.2%) of all new jobs created in 2006 (<http://www.apce.com>, accessed on 26.8.2007). The latest figures available showed that 321,000 companies were created in 2007 which represents an increase of 13% in comparison with 2006 (INSEE 2008).

Size	New ex-nihilo	Re-launches	Take-overs	Total
0	191.257	46.510	19.105	256.872
1to 2	23.813	3.124	9.338	36.275
3-5	4.508	653	5.826	10.987
6-9	997	141	2.067	3.205
10 or more	2.407	22	1.104	3.533
Unknown number	10.063	1	1.334	11.398
Total	233,045	50,451	38,774	322,270

2.5.3 Enterprise creation in French regions

Having examined the total number of creations and the break-down according to size this section will shed light on the regional distribution of creations. The data is based on 2006. Table 2.3 is again organised according to the three-tier split into ‘ex-nihilo’ creations, relaunches and take-overs. Taking the three types of creations together the region called Île-de-France ranks first with 72,798 companies, 60,300 of which were ex-nihilo creations, 6,437 relaunched businesses and 6,6061 takeovers. Île-de-France includes Paris and its surrounding suburbs. In second position we find PACA, short for Provence Alpes Côte d’Azur in the South of France, followed closely by the region Rhône-Alpes, in the South-West of France. Normandy, where the ESC Rouen and some of the ventures I investigated are based, comes out eight in the ranking if Haute and Basse Normandie are taken together. Given that Paris is the centre of French government administration and the headquarters of many large multinationals such as BT, FranceTelecom and Thales it is not surprising that many creators prefer to set up their business in such a dynamic context. In an examination of socio-economic factors on local enterprise creation Lasch (2007) found that in particular Paris and the Parisian suburbs, the Mediterranean region and the Atlantic Coast offer very favourable conditions for entrepreneurs and both France’s South and West see an increasing intensity in enterprise creation. As a possible explanation for this phenomenon Lasch suggests that regions with a strong rate of migration and demographic growth tend to have a higher rate of enterprise creation. Furthermore the author also underlines the attractiveness of the territory as a factor that may positively impact the rate of enterprise creation in regions such as the South of France, in particular around Nice. Moreover, Lasch’s analysis showed that the presence of large companies may also have a strong positive impact on enterprise creation as these companies are potential partners for outsourcing and general contracting.

Table 2.3 Number of creations in French regions					
	New ex-nihilo	Re-launches	Take-overs	Total	Development 05/06 in %
Alsace	5.593	815	836	7.244	+3.5
Aquitaine	11.464	4052	2015	17531	3.5
Auvergne	3.235	872	974	5.081	+5.1
Burgundy	4.339	957	1.084	6.380	+6.2
Brittany	8.236	2.197	2.301	12.734	+2.6
Centre	6.580	1.373	1.471	9.424	+2.0
Champagne-Ardenne	3.121	668	705	4.494	+5.5
Corsica	1.667	636	221	2.524	+5.2
Franche-Comté	2.908	653	739	4.300	-2.3
Ile-de France	60.300	6.437	6.061	72.798	+0.9
Languedoc-Roussillon	11.876	4.456	1.936	18.268	+2.2
Limousin	1.839	448	506	2.793	3.6
Lorraine	5.786	1.104	1.027	7.917	+2.3
Midi-Pyrénées	10.181	2.748	1.799	14.728	+2.3
Nord-Pas-de Calais	9.538	1.484	1.614	12.636	+2.2
Basse Normandie	3.670	1.053	1.159	5.882	+5.9
Haute Normandie	4.090	976	1.051	6.117	+1.0
Pays de la Loire	9.365	2.517	2.360	14.242	+0.9
Picardy	4.026	816	939	5.781	+0.4
Poitou-charentes	4.904	1.607	1.164	7.675	+3.9
PACA (Provence Alpes Côte d'Azur)	25.475	6.906	3.774	36.155	-0.3
Rhône-Alpes	22.907	5.059	4.647	32.613	-0.6
Sub-total Metropolitan France	221.100	47.834	38.383	307.317	+1.7

Having examined the regional variations in enterprise creation in France the next section will shed light on the profile of the French entrepreneur.

2.5.4 The profile of the French entrepreneur

A survey conducted by the government body SINE/APCE comparing enterprise creation over the period from 2002 to 2006 highlighted some interesting findings about the profile of the French entrepreneur (The following information was taken from <http://www.apce.com>, accessed on 26.04.2008). In 2006 the average entrepreneur was 38.6 years old at the time of creation. Those younger than 30 represented 21%, those younger than 25 a minority of 6% and those 50 and older made up 16% of all entrepreneurs in France.

The study showed that almost one third of the newly established entrepreneurs had a HE qualification such as *BAC professionnel or technologique*, which corresponds to a professional/technological A-level. Among the creators three out of 10 were women, their activity primarily focused on education, health and personal services. Enquiring into the support for the entrepreneurial project, the study found that 21% of all creators had been aided by their partners, 23% by other members of the family, 11% by their professional entourage, 31% by specialised support organisations such as the Chamber and 23% by specialists such as accountants and lawyers. This information is very interesting as reference point for later findings (see Chapter 7-9).

More than half of the entrepreneurs did not carry out any professional activity before the actual creation, they were either classified as unemployed, inactive or students and 30% had salaried status. The latest figures from 2007 confirmed this trend as there was a growing number of unemployed people (+42% over the first 11 months of 2007) who benefited from a support device called *ACCRES (Aide aux Chômeurs Créateurs et Repreneurs d'Entreprises* - assistance to unemployed creators and those who take over a company) to create their own company (INSEE 2008). In the majority of the cases (55%) people set up their business in their sector of former activity (APCE 2008), which also corresponds to the majority of the entrepreneurs who participated in this research.

This first part of this Chapter has emphasised the importance of context for this study and I briefly discussed different definitions in use for entrepreneurship within the French context. Furthermore I provided an overview of the number of different types of creations within the French context and I shed light on the profile of the French entrepreneur. The next section illustrates the development of French economic policy starting with the Trente Glorieuses, the 30 Glorious Years after WWII, highlighting the very important role of the state in French economic policy. I conclude with the recent initiatives taken by the government under Nicolas Sarkozy.

2.6 Les Trentes Glorieuses, the 30 Golden Years after WWII

There has been a long tradition of French state involvement in the economy which goes back to Jean-Baptiste Colbert (1619-83) (Gordon 1993). Colbert's intellectual legacy has been associated with a long-standing tradition of state intervention through discriminatory fiscal and public procurement policies, aiming to develop and nurture

public and private national champions as well as nascent industries (Cohen 1992). As MacLean suggested, at the heart of French business culture is the concordat between the state and business, which, “is held together by the shared ideology of a relatively homogeneous national elite” (p. 21). Gordon (1993) critically pointed out that French market forces have never been allowed to function freely due to a long tradition of interventionist policies affecting all aspects of economic and industrial activities. As a result, in the post-war II period the state acted both as ‘director, catalyst, initiator and regulator’ of growth (MacLean 2002). The close relationship between the French state and business has promoted a number of values such as organisational stability, long term planning and a measured approach to business, all features which have remained intact despite the rise of the New Economy (MacLean 2002, MacLean et al 2006).

As Maclean (2002) highlighted, the national crisis of the immediate post-war years was an important catalyst for change, providing the opportunity for a modernising elite of technocrats led by Jean Monnet, influenced by the American Allies, and supported by de Gaulle to gain control over key agencies of the state. Modernisation of the economy became the declared goal and planning became the primary tool of economic management. Small business and the countryside, which had both been seen as brakes on economic growth, lost their importance to industrial concentration and economic modernisation (Boutillier & Uzinidis 2000, Maclean 2002). As a result, France emerged as a modern economic power with far-reaching implications for lifestyles, consumption, behaviour and values. As Boutillier & Uzinidis (2000) and MacLean (2002) stressed, like other western European countries France’s modernisation had been triggered by the desire to catch-up with the United States, thereby benefiting from the free flow of technology, investment and trade across the North Atlantic. Consequently France opened up to international economic movements and fluctuations.

However, Bruyat (1993) pointed out that during the “*trente glorieuses*” – the glorious thirty years after the world war II - numerous economic and social indicators suggested that the entrepreneur and the small enterprise and in consequence enterprise creation were just a remainder from the past and that only large enterprises could supply the needed employment and economic wealth in an economic context dominated by international competition. In fact, in the post-war period France’s ruling elite was concerned with growth, with national economic strength and the extension of the national business system. Hence privatisation, mergers and acquisitions, network and

alliance building, a keen interest in European Union development and a close and self-interested economic and industrial partnership with Germany (Gordon 1993) became part and parcel of “a structural refinement in pursuit of national competitive advantage” (MacLean, 2002, p. 6). Consequently, the desire to create a much more open French economy was accepted as a ‘sine qua non’ of expansion in 1958 (MacLean 2001).

During the Trente Glorieuses de Gaullist policy measures backed industrial concentration which resulted in mergers and acquisitions as an integral part of Gaullist industrial policy. Ongoing close cooperation between leading politicians, civil servants and business further helped France to pursue her goal of organisational stability (MacLean et al. 2001). To support this approach French authorities created a system of industrial policies that aimed to convert inefficient industries and develop those of the future. This policy of *national champions* took the form of mergers and takeovers supported by tax incentives, mid to long-term credits and direct government intervention (Boltho 1996, Lewis et al. 1996). As a result, by the beginning of the Giscard era (1974-81), France had the highest rate of corporate mergers in Western Europe, and the number of firms with 10 or less employees had dropped by 20% (Hall 1986). Many of these newly formed companies became later a target for nationalisation policy when the Left took office for the first time in a generation at the beginning of the 1980s (MacLean 2001).

Elite solidarity and collaboration have also been facilitated by the French education system (see section 2.9.7), which has been characterised as both elitist and meritocratic, yet has produced business, administrative and political leaders with mindsets that have been forged in a common milieu, thus sharing assumptions, prejudices and beliefs (MacLean 2002). As Gordon (1993) highlighted, the close relationship between business and government has been promoted by “the main actors being cast in the same mould of the Grandes Ecoles and preserving a lasting web of interlocking formal and informal relationships” (p. 129). Such practices have, as Maclean et al. (2006) underlined, fostered a common worldview or ‘*pensée unique*’ on the part of the state elite.

The success of the French economy during the Trente Glorieuses did not only help to consolidate the new order, but also increased France’s self-confidence, a process that continued up until the 1970s when the first oil crisis struck France and the rest of the

world (Gordon 1997). The crisis brought social and political tensions to the fore and led to the election of the first socialist president, Mitterrand, in 1981 and the emergence of a coalition government of socialists and communists (MacLean 2002). Under Mitterrand a new consensus emerged that business enterprise was key to continued wealth, welfare and economic progress (Gordon 1993), yet one of the first initiatives of the new government in 1982 was to take control of financial and industrial sectors by taking over 36 banks, two finance companies and 12 leading industrial conglomerates which created the largest public sector outside the Eastern bloc, with about 24% of all jobs, 32% of sales, 30% of exports and 60% of investment in industrial and energy sectors (MacLean 2001).

Just four years later the Mitterrand government made a U-turn in its policies launching a vast deregulation and privatisation programme aiming to reduce the role of the state in the economy to improve efficiency and effectiveness. However, even nowadays France's public sector remains one of the largest in Western Europe employing 25% of the workforce, which Murphy & Gashurov (2000) argue, represents a real obstacle to economic progress. As Frugier & Verzat (2005) notes, the size of the public sector and the perks associated with working in the public sector such as regular pay rises and (life long) job security have had a detrimental effect on enterprise creation in France. A recent survey by Ipsos/CGPME/ Planete PME in 2005, which addressed different age groups from young people (15-25) to seniors (older than 45), showed that the French public sector was equally interesting as an employer for young and older people. In fact, three in four young people (77%) wanted to work in the public sector, yet these figures have to be treated with caution given that only 29% of the young people surveyed were prepared to join the public sector immediately. Interestingly enough the same survey found that young people continued to be less inclined to work for large companies, as only 15% wanted to join a multinational in comparison with 20% in 2004 and 24% in 2003 (Ipsos/CGPME 2005). In particular the latter findings illustrate a growing scepticism among the young population towards multinationals, which is also expressed in an increasing preference for SMEs and the public sector (Ipsos/CGPME 2005).

The Mitterrand era has, however, been characterised as a period of fundamental change of state-society relations. As Hayward (1986, read in MacLean 2002) put it, the new mantra was '*moins d'etat*' to achieve '*mieux d'etat*' and moreover '*mieux d'Europe*'

(less state to achieve a better state and a better Europe). As a result, the French state had lost much of its legitimacy as the organiser of change by the end of Mitterrand's reign.

Having highlighted the different policies pursued by different governments during the Trente Glorieuses the next section will discuss in detail initiatives focusing on entrepreneurship and enterprise creation from the 1970s onwards to the present government on President Sarkozy.

2.7 French SME and enterprise initiatives from the 1970s up to now

Most of the French initiatives in favour of enterprise creation and SMEs originated in the 1970s. Similar to the Bolton report in the UK in 1971, it was the Miliaret report in 1973 that triggered interest in small business and enterprise creation as it pointed out the inadequate level of the renewal of the economic and industrial tissue of the country (APCE 2002). As Leger-Jarniou (2005) highlighted, this was the first time that the concept of firm creation received attention in the French economy, arguably inspired by foreign examples, in particular American. In effect, it took 6 years to establish the first government institution dedicated to venture creation: *Agence Nationale de Création d'Entreprise*, ANCE (the National Agency for Venture Creation in 1979) which later in 1996 became the *Agence Pour la Création d'Entreprise* (APCE) (APCE 2002).

Moreover, Boutillier & Uzunidis (1995) emphasised that from the 7. economic plan (1976-1980) onwards the French state started to discover the importance of SMEs in terms of employment generation and export potential. In 1977 the first national union of SMEs was created, the SNPI. Since then the union has rebelled against the existing technocracy, the economic 'dirigisme' and nationalisation. In fact, they believed that the state was responsible for the crisis in the 1970s due to excessive compulsory charges and the union did not hesitate to attack large companies as they benefited from interest rates 4 to 5% inferior to those offered to small enterprises (Boutillier & Uzunidis 1995). Finally in 1980 Francois Mitterrand, the French President at the time, declared officially that people should not feel ashamed aiming to enrich themselves. He promoted the idea that launching an entrepreneurial venture would be a noble act and of value to both the individual and French Society (Boutillier & Uzunidis 1995).

Following the American example of Silicon Valley, French public sector policies for enterprise creation privileged innovative companies in high tech sectors such as biotechnology from the early 1980s onwards. As Boutillier & Uzinidis (2000) commented, collaboration between research institutions and industry was encouraged (APCE 2002). Later at the end of the 1980s support was extended to all types of businesses. As Boutillier & Uzinidis (2000) explained, this period saw a multiplication of social laws in favour of non-profit organisations and different types of firms as the French state needed a social objective in order to support enterprise creation (APCE 2002). At about the same time the idea of the '*entreprise citoyenne*' emerged, which was very indicative of the new attitude towards business, very different from the Zeitgeist of suspicion that had reigned in the 1960s -1970s (Boutillier & Uzinidis 2000).

There were several types of business support for enterprise creation during the period from 1977-1987 (Leger-Jarniou 2005). Purely financial support in terms of assistance targeting specific groups such as the unemployed (Abdesselam et al. 2004) or specific sectors of the economy such as food processing were one form of support (APCE 2002). In 1977 ACCRE (see section 2.5.4) was created. A second form of support focussed on counselling and training networks offering personalised training and counselling programmes, aiming to encourage potential creators to start their own business. Centres for Company Formalities (CFE – Centre de Formalités des Entreprises) were set up to facilitate the administrative burden associated with the start-up (APCE 2002). The first televised publicity campaign in favour of entrepreneurship and enterprise creation in 1987 triggered great national interest. A third type of support concerned the availability of different support activities within the framework of an emerging incubator system, with the first incubator opening at the beginning of the 1980s (APCE 2002, Leger-Jarniou 2005).

From the mid 1990s support for entrepreneurship and enterprise creation were increasingly recognised as vital for French post-industrial society due to their contribution to economic regeneration, regional economic development and employment generation (APCE 2002, Fayolle 1999). As a result many different programmes and initiatives developed and in 1995 the ANCE identified 30 types of assistance for enterprise creation at both national and local level. Such assistance was available in the shape of subsidies, social charges and tax exemption, enterprise finance and general business support (APCE 2002). Increasingly assistance for enterprise

creation was being built on two principles: specialised aid for companies that create employment and support for a public private sector partnerships (APCE 2002). There was, however, a growing worry concerning the overlap of different agencies' activities and the different actor's accountability to the funding body (APCE 2002).

To further promote entrepreneurship and enterprise creation a new law was passed in 1999, a "Law on Innovation", which (a) authorized researchers to set up their own business, (b) created public incubators (innovation centers) for hosting these new firms, (c) launched a national competition for the creation of high tech firms and (d) defined measures to simplify creation and life of new firms. In 1999 at national and regional level funding for enterprise and enterprise creation amounted to 2.6bn Francs in 1999, compared to 2.1bn in 1998 (APCE 2002).

Later in 2003, building upon the recent interest in entrepreneurship the French government under Jacques Chirac announced its ambitious objective to create 1m new enterprises over a 5-year period. To achieve this goal the French government passed the 'Loi du Dutreil' or 'Law of Economic Initiative' in August 2003, which comprises five different aspects to facilitate enterprise creation, one of which is company creation via the Internet for 1 Euro. Moreover, the law was supposed to facilitate the change from employee to entrepreneur status, finance economic initiative, accompany entrepreneurial projects and enable the take-over of existing companies. As Fayolle, Hernandez & Sénicourt (2005) critically commented, it would, however, be naïve to believe that somebody could create a business with one Euro if already 210 Euros are needed to register a firm as SARL (*société à responsabilité limitée* – limited liability corporation). (For further information on the law see for instance <http://www.journaldunet.com/management/dossiers/040225creation/dutreil.shtml> accessed on 26.04.2008).

Shortly after the launch of the 'Loi du Dutreil' the first of the "Maisons de l'Entrepreneuriat" (Entrepreneurial Houses), was established in Grenoble in 2004 with the intention to raise further awareness of entrepreneurship (Frugier & Verzat 2005). Later in January 2006 Jacques Chirac confirmed the political imperative to make further funds available to develop policies to aid small business and subsequently announced that the number of loans for enterprise creation would increase from 15,000 and 30,000 (Lachèvre 06.01.2006, p.22).

Following in the footsteps of Jacques Chirac's government, Nicolas Sarkozy and his Minister of Economics Christine Lagarde, presented on 30.04.2008 the law on the 'Modernisation of the Economy', which contains a number of initiatives to encourage enterprise creation (Best 2008). One of the possible measures is the creation of a simplified status for the individual entrepreneur with a fixed amount payable for both tax and social charges. A major change will also be that the entrepreneur will no longer be expected to make any social security contributions before he has actually made any sales. Furthermore the new law foresees a better protection of the property of the entrepreneur in case of failure and less need to register with different government authorities, thus reducing administrative hassle (www.premier-ministre.gouv.fr/chantier/croissance_847/projetloimodernisation accessed on 08.05.2008). The underlying motivation is to create a Small Business Act 'à la française', which would be in line with the European Small Business Act that will be pursued under the French presidency of the European Union from July 2008 onwards (www.premier-ministre.gouv.fr/chantiers/entreprises_852/favoriserdeveloppement accessed on 08.05.2008).

This section has shed light on the development of France's economic policies concluding with the most recent measures under President Nicolas Sarkozy and I highlighted different government initiatives to promote entrepreneurship and enterprise creation. The following section illustrates the different factors that have impacted enterprise creation within the French context.

2.8 Different factors impacting enterprise creation

2.8.1 Introduction

Arguably, the growth in the number of small businesses in Europe reflects both changes in the economy and government policy. Since European countries such as the UK, France and Germany have experienced a significant resurgence in numbers of small manufacturing and service firms since the 1970s (Abdessalam et al. 2004, Bannock & Daly 1994, Bruyat 1993, Keeble 1986), various explanations have been developed to account for this trend. The following sections outline a range of different factors that have influenced positively and negatively the development of entrepreneurship and enterprise creation in France.

2.8.2 Decline of large firms – a chance for entrepreneurship?

In the middle of the last century economists predicted the dominance of large firms and it was argued that size was necessary to obtain economies of scale, to exploit foreign markets and to stay informed about regulations and new technology (European Commission 2003). As we saw earlier, in France this was the result of a very conscious political move, as the national champions strategy (see section 2.6) encouraged greater industrial concentration in particular in the 1970s (Gordon 1997). This strategy went hand in hand with the so-called '*Grands Projets*' (large-scale projects) in infrastructure, information technology and transport, which formed an integral part of the wide-ranging state support system for French industry. Whereas such support targeted high-tech industries of the future at one end of the spectrum, so-called lame ducks such as steel, textile and shipbuilding were included at the other of the spectrum the latter predominantly for social reasons (MacLean 2001). As MacLean highlighted the focus on French high tech firms was a strategic rather than commercial investment, the underlying aim to keep up or possibly beat US and German competition. In the 1970s competition from the Far East was not considered a real threat for France. As Boltho (1996) pointed out, initial international comparisons in the post World War II period compared France with the United States, Italy, Japan and sometimes Belgium. A decade later attention was given to Germany and her success in handling the economic difficulties resulting from the oil crisis in 1973.

Despite consistent government efforts to promote large business in France, large hierarchical firms have found it increasingly difficult to cope with changes in the world economy and the ongoing globalisation of business while small, more flexible firms have proved to exist much more easily in a variety of less stable, more idiosyncratic markets (Abdesselam et al. 2004, Loveman & Sengenberger 1991). As a result, many European countries such as the UK, France and Germany, have witnessed the demise of the monolithic, often state owned, large industries and the evolution of mixed economies over the past thirty or so years, where the small firm has emerged as the focus of creativity and meaning in the industrial world. Adesselam et al. (2004), Bruyat (1993), Boutillier & Uzunidis (1995) and Estay (2005) have highlighted that the economic crisis in the middle of the 1970s acted as a stimulant for enterprise creation in France and encouraged the economic and political partners to put in place a series of measures aiming to aid and encourage entrepreneurship. In fact, Schuhmacher's (1999) idea 'Small is beautiful' gained momentum. However, other factors such as a high level

of unemployment and a strong culture of entrepreneurship in some French regions have also contributed to a growing supply of entrepreneurs (Adesselam et al. (2004) (also see section 2.5.3).

2.8.3 Globalisation – a chance for entrepreneurship?

A further fact that has opened up many avenues for enterprise creation and entrepreneurship is the globalisation of business (Fayolle 2007). Audretsch & Thurik (1997) based the re-emergence of entrepreneurship in Northern America and Europe on the argument that increasing globalisation has moved the comparative advantage towards knowledge-based economic activity. The authors suggested that large enterprises in traditional manufacturing industries have lost their competitive edge in the high cost domestic markets and that small entrepreneurial businesses gain in importance in the knowledge based economy. As a result, structural changes in the economy have shifted Europe's comparative advantage towards knowledge-based activities and countries such as the UK, France and Germany have experienced a dramatic decline in their traditional manufacturing sectors which has led to major restructuring of regional as well as national economies. To some extent French large-scale manufacturing businesses have coped better with these changes than other European firms, most probably due to the concordat between the state and business (see section 2.6) (MacLean 2001). Conversely, Abdesselam et al. (2004) agreed that the decline of the large-scale industries could partly explain the surge in entrepreneurship in the industrial and tertiary sectors in France.

2.8.4 The rise of the service sector – a chance for entrepreneurship?

Closely associated with the decline of the manufacturing sector has been the shift towards services activities with low capital and equipment barriers to entry with low capitalisation rates and interest payments which, as Abdesselam et al. (2004) and Bryson (1997) argued, has favoured the small business sector. In addition, Information and Communication Technologies (ICTs) have revolutionised production processes in many industries and have contributed to the growth of the services sector (European Commission 2003). This trend has also affected France and as Lasch (2007) highlighted, the country is increasingly moving towards a knowledge based economy based on ICTs.

Furthermore the long term trend of large national and multi-national companies in European countries such as the UK, France and Germany to cut back on manpower, i.e. “corporate downsizing” (Audretsch 2004), accompanied by large firm fragmentation strategies (Abdesselam et al. 2004, Keeble 1997) and concentration on core activities (Bryson 1997), means that these businesses have been consistently losing their importance as providers of employment (Derenbach 1986). As Yolin (2007) pointed out, large companies destroyed 263,000 jobs in the period from 1985-2000 in France and establishments with less than 500 people created almost 1.58m jobs. This has paved the way for substantial growth in subcontracting to small manufacturing businesses and externalising service demands to small specialist services firms (Boutillier & Uzinidis 2000, Fayolle & S enicourt 2005, Lasch 2007).

The very characteristics of the small business: its flexibility which is often associated with a decentralised and flexible internal organisation (Parker 2000, Swain 1985), its specialisation but also ready responsiveness to market opportunities (Abdesselam et al. 2004, Boutillier & Uzinidis 2000) as well as highly motivated employees committed to the success of the venture (Parker 2000), seem to enable it to cope with structural change better than large firms. Hence small businesses have been suggested as the right partners for regional policy as they can promote regional diversification (APCE 2002, Bryson 1997, Derenbach 1986), given their great potential to act as innovators in regional economies where they add to the diversity of products and services and act in niche markets which would not be worth exploring to large companies (Cross 1983, Lemari e et al. 2001). Yet, Lasch et al. (2004) highlighted, in particular, the impact of ICT firms on regional economies (also see literature on innovative milieus and industry districts such as Prax 2004) and they emphasised the importance of innovation networks, inter-firm cooperation and intense relationships with the local R& D infrastructure as key to new technology start-ups in France. Whereas their research did not confirm the role of universities, the relationship between young ICT companies and the laboratories was judged underdeveloped and insufficiently mobilised in France (Lasch et al. 2004).

As this section has shown, structural change in the economy has promoted the rise of the service sector, which may arguably have supported entrepreneurship and enterprise creation, but also small business development. The following section illustrates some

of the factors that may have worked to the detriment of entrepreneurship and enterprise creation in France.

2.9 Obstacles to entrepreneurship in France

2.9.1 Enterprise versus employee culture

An important aspect of UK government policy is the popularisation of the enterprise culture and support programmes have been part of the concept of the 'enterprise culture' promoted under the Conservative government from 1979 onwards (Meager 1992, Storey & Strange 1992), the underlying goal being to free market imbalances which disfavoured small businesses and limited state intervention (Mason & Harrison 1986). Within this paradigm setting up a small firm became a status symbol as it represented the preferred state of employment and it became closely linked to the idea of moving up the social and occupational hierarchy and of becoming respectable (Burns & Dewhurst 1986, Cross 1983). Establishing a small business developed into an expression of the ambition of "the most able and go-ahead members of society", but also represented the deeply rooted belief in self help and personal initiative (Westhead & Moyes 1992).

In contrast to an entrepreneurial society such as the UK that values private initiative, Abdesselam et al. (2004) and Frugier & Verzat (2005) highlighted that French society is characterised by a wage culture where salaried workers have great historical advantages in terms of social security, enjoy relative job stability and the possibility to benefit from public goods. Hence staying an employee is a rather attractive option and becoming an entrepreneur may involve high opportunity costs. In fact, as Beranger et al. (1998) suggested, young French people think that it is the government's and the system's responsibility to provide job security and work. As result, the authors concluded, enterprise promotion becomes a difficult task.

2.9.2 A feminine culture

Referring to Hofstede (1983) Fayolle, Hernandez & Sénicourt (2005) also underlined the feminine character of French culture. French people prioritise the quality of life and they work to live, but do not live to work which contrasts with the attributes of a masculine culture which prioritises professional success, money and material goods and a general attitude to life that prioritise work over the quality of life. Scoring 43 out of 100 French culture is rather feminine in its character, very different from the US which scored 62 highlighting a much more masculine perspective (Hofstede 1983). As

Fayolle, Hernandez & S enicourt (2005) argued, this important aspect of French culture has certainly worked as an obstacle to entrepreneurship.

2.9.3 Risk averseness of French culture

As MacLean (2002) and Gordon (1993) underlined, French business culture is characterised by an infinite search for organisational security which is linked to a deep-rooted need to avoid uncertainty and remove ambiguity. Referring to Hofstede's work (1983) on cultural values, Fayolle, Hernandez & S enicourt (2005) and MacLean (2002) emphasised the risk averseness of French business culture. In fact, in Hofstede's study France scored particularly high on this aspect (86 out of 100), compared with UK's score of 35. As Fayolle, Hernandez & S enicourt (2005) emphasised, the cultural context promotes a risk awareness and a fear of failure which does not encourage the individual to take personal risks like those needed for setting up a business. In addition, MacLean et al. (2006) recently emphasised that for the past few decades France has preferred to prioritise employment security to risk-taking. One way of avoiding risk and situations of uncertainty has been the creation and maintenance of business networks, kinship and friendship ties, supported by shared membership of organisations such as the Grandes Ecoles, which are, as MacLean (2002) suggested, the source of power in French business. This is an interesting aspect for this study given that all entrepreneurs who participated in this research have a Grande Ecole background.

2.9.4 The nature of the French finance sector

Another aspect that has arguably impacted on entrepreneurship and enterprise creation is the nature of the finance sector, which underwent major change in the 1980s with a complete reform of the banking sector and a new approach that shifted the emphasis from reliance on debt towards equity as a source of external finance (Gordon 1993). The concentration in industry, as discussed earlier, was followed by a concentration in the banking sector with many local banks disappearing. Following a major crisis in the 1980s, most of the banking sector was nationalised in 1982, which gave the state control of over 80% of both loans and credits (Gordon 1993). Under the right wing Chirac government of 1986 a privatisation wave was supposed to hit the industry, yet only three banks Soci et  G en rale, Paribas and Indosuez reverted to the private sector. As Gordon (1993) pointed out, French banks do not have the same close relationship with business and industry as German banks.

Given the long history of a nationalised banking system French banks have had trouble developing an understanding of entrepreneurship and enterprise creation. As a result, Fayolle (2007) emphasised that start up capital is very difficult to get in France and that it is in particular friends and family that contribute to a venture, which is an interesting aspect for this study (see Chapter 9, part II)

The following section illustrates a number of cultural aspects that have arguably discouraged entrepreneurship and enterprise creation.

2.9.5 A lack of entrepreneurial values

In France we are confronted with a lack of acceptance of entrepreneurial values and entrepreneurship in French society, although Fayolle, Hernandez & Senicourt (2005) highlighted that change is on its way involving a greater awareness of the importance of entrepreneurship and enterprise creation for the French economy. Yet, progress is slow and as Carayannis, Evans & Hanson (2003) argued, traditionally French society wants its children to enter 'noble' professions, i.e. it is acceptable to become a doctor or lawyer, but certainly not an entrepreneur. Furthermore the fear to fail seems to dominate and paralyse many entrepreneurial initiatives which may, as Jacques Attali commented, be rooted in the education system that does not teach how to manage failure (Masclot 2003). An unsuccessful French entrepreneur would not only lose material possessions, but also self-esteem, professional opportunities and possibly his well established place in French society (Carayannis, Evans & Hanson 2003).

Furthermore, as Carayannis, Evans & Hanson (2003) emphasised, French culture seems to equate creating an activity with the destruction of the normal pattern of wealth distribution in a collectivist society. In particular the idea that an individual and not the nation as a whole would benefit from this creation seems to be ill received. Arguably some of this thinking may be rooted in Jean-Jacques Rousseau's *Social Contract*, published in 1762. Rousseau was interested in how individual citizens with their individual needs could live together in harmony within a community, within society. He advised that individuals should neglect their natural, possibly harmful inclinations (*le moi humain*) and instead support the 'general will' (*la volonté générale*) of the community (*le moi commun*), which would not allow for different points of view (for a more detailed discussion see MacLean 2001).

Furthermore, entrepreneurship is perceived as a predominantly Anglo-Saxon idea, i.e. imported, hence inappropriate for French society (Carayannis, Evans & Hanson 2003). In addition, it has also been argued that there are not enough well-known entrepreneurial role models, which is understandable, given the unsympathetic environment in which entrepreneurs seem to exist. Against this cultural background being an entrepreneur and enterprise creation may not be the easiest tasks in France.

2.9.6 Administrative hassle

There are also a range of factual problems that hinder entrepreneurship in France such as administrative hassle (Carayannis, Evans & Hanson 2003) and difficulties to raise the necessary capital. In fact, la Loi Dutreil has been a direct response to the significant bureaucratic hurdles to enterprise creation in France and has, as outlined earlier, aimed to remove some of the hurdles hindering enterprise creation. The new law on the modernisation of the economy (see section 2.7) will continue this tradition.

As Fayolle (2007) recently underlined, French society's attitude to success and profit has, however, started to change recently. Whereas before entrepreneurs were often regarded with jealousy and bombarded with criticism, this has started to change slowly and role models such as Bill Gates, Steve Jobs and Jeff Bezos have become accepted stars of the new economy. Fayolle emphasised, however, the need for further education as the best way to fight against negative attitude towards entrepreneurship and enterprise education (Fayolle 2004b). A number of authors such as Frugier & Verstrate (2005) and MacLean et al. (2006) have underlined the importance of the French HE system as a particular barrier to entrepreneurship and enterprise creation given its emphasis on large organisations and elitist orientation. The next section will shed light on this aspect.

2.9.7 An elitist education system

As mentioned in Chapter 1, the French education system is characterised by a tri-partite organisation with universities, Grandes Ecoles and other Higher and Further Education institutes. Some of the oldest Grandes Ecoles such as the Polytechnic and ENS were established during the French revolution, i.e. in 1794 and 1775 respectively (Maclean et al. 2006). These Grandes Ecoles are very prestigious establishments and represent avenues to the highest social positions. However, most recently the Grande Ecole system has been criticised as it has ostensibly contributed to the production of a

knowledge elite whilst at the same time justifying the position of that elite at the top of the societal pyramid (Maclean et al. 2006).

David (1994, p. 205) described 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”. This suggests that the historical development of the Grandes Ecoles is significant insofar as they have often been carriers of both national and regional policy initiatives. Given the focus of French government support on large enterprises in particular after the Second World War these Grandes Ecoles have been charged with providing managers for the state-run conglomerates. However, the recent government interest in entrepreneurship and enterprise creation has given the Grandes Ecoles a new role in promoting entrepreneurship (European Commission 2002).

As this research investigates entrepreneurial ventures of Anciens from a French Grande Ecole it is important to bear this context in mind, but also take a quick look at entrepreneurship education in the French HE system.

2.9.8 Entrepreneurship education in France

Whereas entrepreneurship education within an Anglo-Saxon context has increased tremendously over the past 30 years and the earliest entrepreneurship courses date back to the 1940s (Ronstadt 1985), the situation is quite different in France, despite growing awareness of the importance of entrepreneurship and enterprise creation for the French context (Fayolle, Hernandez & Séricourt 2005). Following Carayannis, Evans & Hanson (2003) the French educational context is characterised by a lack of entrepreneurial activities in the educational system as well as a lack of acceptance of failure. Education “is targeted at the ‘normalization’ of students’ (Carayannis, Evans & Hanson (2003, p. 760) and discourages the expression of creativity. This is also in line with Fayolle, Hernandez & Séricourt (2005) who highlighted that in the French education system students are asked to resolve well structured problems. Right from the start they are provided with all the elements needed to solve the problem, which creates the impression that only one solution is possible. As the authors underline, this does, however, not reflect the entrepreneurial reality and students are ill-prepared to develop entrepreneurial projects.

In response to the growing socio-economic problems in the mid to late 1990s the French state encouraged a very strong mobilisation in entrepreneurship education (Madelin 2002). As a result a number of surveys were conducted by for instance Beranger, Chabbal & Dambrine (1998) and Fayolle (1999b) to establish the state of entrepreneurship in the educational sector (universities and Grandes Ecoles) in France. These reports highlighted:

- 1) A lack of teaching and training programmes for entrepreneurship at all educational levels but in particular in Higher Education.
- 2) A lack of compulsory modules related to entrepreneurship.
- 3) The need to introduce business plans as a pedagogical tool for preparing future entrepreneurs and
- 4) A lack of courses that systematically develop an entrepreneurial interest in students.

These initial reports in the late 1990s were followed up by François Hurel in 2002. The latter recommended the inclusion of entrepreneurship modules in first degree programmes and continuing education as well as the revision of all pedagogical material to be in line with the new government imperative to encourage entrepreneurship and enterprise creation (Madelin 2002). Following the publication of these reports, the Ministry of Education, Research and Technology made teaching and training of entrepreneurship a priority in education. Proposals were developed to target three levels of intervention: to raise student awareness, irrespective of the subject studied; to support students who are promoters of projects to set up a business and to provide specialised training for particularly motivated students to allow them to obtain specific managerial skills. In addition, all mining and telecommunications school had to include entrepreneurship into their curricula from 1999 onwards (European Commission 2002). As Gabriel Madelin, responsible for the relationship between schools and enterprises at the national Ministry for Education, stated, the primary objective is not the creation of enterprise but awareness raising for the real functioning of an enterprise. Thus a profound renewal of pedagogic practices is needed which gets translated into a pedagogy of stimulation and a very deep involvement of the teacher into the subject to motivate and interest students in issues of entrepreneurship. At least once in their educational career students should have the experience of setting up a company, even if it is only fictitious (Lecherbonnier 24.09.2002). In response to this, Frugier (2005) found that case studies or project work based on creativity exercises have increasingly

been used in French entrepreneurship teaching which place students in an entrepreneurial situation where they can apply their already existing management competences.

Progress has, however, been slow, as was documented by a recent study conducted on behalf of the OPPE by Frugier (2005). In an assessment of entrepreneurial courses and teaching initiatives in French universities and Grandes Ecoles (both management and engineering) the author found that the number of entrepreneurship courses and teaching initiatives has risen significantly since 1998, yet stabilised from 2002 onwards. In French universities pedagogical activities in entrepreneurship have only developed recently, notably since the creation of the Maison de l'Entrepreneuriat in 2004 (see section 2.7). This is similar to Leger-Jarniou (2005) who stressed that entrepreneurship teaching is still in an embryonic phase at French universities and that there is a great diversity of activities, in terms of objectives, duration, the audience targeted and the methods employed.

Further government activities in the education sector include support to create agencies to encourage entrepreneurship. In spring 2001 the OPPE, an initiative by leading French entrepreneurship professors was created. The organisation is supported by the Ministry of National Education, the Ministry of Economy, Finance and Industry, the Ministry of Research, the APCE (see section 2.7) and the '*Académie de l'Entrepreneuriat*' (Academy of Entrepreneurship). Its principal mission is to keep track of the different pedagogical practices in entrepreneurship and assure their visibility to the general public via its website, but also to entrepreneurship educators and trainers through an annual conference. A key objective is to exchange best practice on a national and international level. As Fayolle & Séricourt (2005) concluded, entrepreneurship teaching is important to develop an entrepreneurial culture in France and "*render French society more tolerant in terms of risk taking, accepting innovation and the recognition of individual initiative* (rendre la société française plus tolérante en matière de prise de risques, d'acceptation de l'innovation et de reconnaissance de l'initiative individuelle) (p. 35) (own translation)

2.9.9 Enterprise creation in Higher Education

As Drillon et al. (2004) highlight, enterprise creation by Higher Education graduates is still a very marginal phenomenon in France, which is similar to Frugier & Verzat (2005) who note that entrepreneurial intention is not very developed among young people in

France, which is different from the US (Fayolle 1999). The majority of Grandes Ecoles Management and engineering students as well as university graduates are not attracted by a career as an entrepreneur and rather prefer to work for a large company, consultancy firm, become a civil servant or enter the public sector (Drillon et al. 2004). Frugier & Verzat (2005) underline that family context and moreover the sociocultural context have a significant impact on the intention to create a business. A recent study conducted by the authors at Ecole Centrale de Lille, a prestigious French Grande Ecole, indicated that only 4.8% of final year students would probably create their own company or manage a firm after graduation; 21.6% had some intention to create one day; 52.8% preferred to develop themselves professionally in a larger structure and did not envisage regular changes (32%). Only 14.4% wanted to work in the liberal profession. Having a parent who was company director multiplied, however, the probability of becoming an entrepreneur as the intention to create rose from 16% to 32.6% for these students. (For more information on entrepreneurial intention among French HE students see for instance Fayolle 1999 and Klapper & Leger-Jarniou 2006).

Based on a recent INSEE survey Letowski (2006) found that in 2006 out of 321,500 entrepreneurs in France 124,000 were younger than 35 years, which represented 38.5% of the total entrepreneurial population. Subdividing the number of 'young' entrepreneurs further into three age groups, younger than 25, 25 to 29, and between 30 to 34 we find 20,900 (6.5%), 48,200 (15%) and 54,600 (17%) entrepreneurs respectively in each group. Among those entrepreneurs younger than 35 years about 8,000 were graduate entrepreneurs, i.e. students who had created immediately after they had finished their studies. These graduate entrepreneurs represented 2.7% of all entrepreneurs in France.

Taking the population of 8,000 graduate entrepreneurs who were less than 35 years old and comparing them with the general population of young entrepreneurs (individuals younger than 35 years), Letowski found that two thirds of the former either had a 2nd cycle (18.6%), 3rd cycle (40.5%) or Grande Ecole (8.4%) diploma, which is different from the group of young entrepreneurs who often only possessed a secondary school qualification (62.5%) (a 2nd cycle qualification is roughly equivalent to graduate education (A-level plus 4 years), a 3rd cycle requires at least A-level plus 5 years of study ranging from Master's degree to PhD). Graduate entrepreneurs tend to create in consultancy services (41.8%), retail trade (10.3%) and health services (8.4%).

Conversely, young entrepreneurs created in construction (25%), retail trade (15.5%) and industry (9.8%).

Both graduate and young entrepreneurs sought support from their family to create their project, yet the former slightly more (37%) than the latter (32.5%). Young entrepreneurs sought more advice from specialists (22%) and business support organisations (34%) compared to graduate entrepreneurs with 18% and 17% respectively. Young entrepreneurs were also more supported by their spouse (21%) which is three times higher than the number of graduate entrepreneurs (7%).

Among those entrepreneurs aged 25 to 35, 43% had a HE diploma, yet only 5% came from a Grande Ecole background. Examining the development from 1998 to 2006 Letowski (2006) showed that the number of entrepreneurs with a HE qualification in the age group of 25-35 has increased continuously from 33% to 43%. Twice more entrepreneurs in this age group created in the services sector than graduates without a HE diploma. Very little change occurred between 1998 to 2006 as 21.5% of all creations targeted the services sector. Those entrepreneurs with a 2nd or 3rd cycle qualification were numerous in creating on their own (32%), receiving help from their family (30.5%) or from an enterprise agency (26.5%).

I conclude that the statistical data presented by Letowski (2006) suggests that Grandes Ecoles graduates creating an entrepreneurial venture are in the minority in France, yet if they create they would create in services to companies. More than half of the entrepreneurs who participated in this study qualify for 'young' entrepreneur status as they were less than 35 years old at the time of creation.

This section has examined a range of factors that have impeded entrepreneurship and enterprise creation within a French context, but I have also pointed out the progress that has been made in entrepreneurship education. I have highlighted that enterprise creation through Grandes Ecoles graduates is still a very rare phenomenon in France which arguably reflects the reality that these HE establishments still prepare students for a career in large organisations.

2.10 Conclusion

This Chapter has provided an overview of entrepreneurship and enterprise creation in the French context. I have highlighted the close relationship between business and the state and how this runs like a red thread through political and economic initiatives. I illustrated the historical development of interest in entrepreneurship and enterprise creation and resulting policy measures starting with the Trente Glorieuse after WW II concluding with the most recent initiatives under Nicolas Sarkozy's present government.

Moreover, I have underlined the close relationship between the French state and the French Grande Ecole system, with management and engineering establishments providing the managers needed for the nationalised companies and/or newly created conglomerates. Clearly, this emphasis on the large enterprise has not been without consequence for the promotion of entrepreneurship and enterprise creation within the Grande Ecole system. In fact, as I highlighted earlier very few entrepreneurs have a Grande Ecole background.

Furthermore, as illustrated earlier, the Grandes Ecoles have educated the managerial, administrative and state elite which has fostered a common attitude and shared ways of seeing things, i.e. a 'pensée unique'. This has paved the ground for the close collaboration between state and business which still exists nowadays. Given this context I argue that the networks of these Grande Ecole entrepreneurs require investigating as they contain the social capital graduates build their professional careers on. Furthermore I also argue that graduates of such prestigious establishments, who decide to become entrepreneurs and do not want to work/decide to stop working for large French companies are different from the majority of students, which gives further weight to this investigation.

In addition, I showed earlier that entrepreneurship by Grandes Ecoles graduates is still a rare phenomenon in France. Hence this study claims to be novel and add to the existing body of literature through an investigation of the role social capital plays in the networks of these entrepreneurs.

Having set the scene for this research through a contextual exploration of entrepreneurship and enterprise creation within a French context, the next Chapter will

discuss the existing knowledge on entrepreneurial networks and focus in particular on the literature on entrepreneurial networks dynamics.

Chapter 3 – The dynamics of Entrepreneurial Network development

3.1. Introduction

The preceding chapter (Chapter 2) set the scene for the context of this study and I discussed socio-economic, political and educational issues that have impacted upon entrepreneurship and enterprise creation in France. I emphasised that the interest in entrepreneurship is a recent phenomenon among academia, the general public and politicians. I also highlighted that enterprise creation by Grande Ecole graduates is a relatively rare occurrence.

This Chapter introduces the reader to the literature on entrepreneurial networks and in particular entrepreneurial network dynamics at the pre-organisation stage. The literature review becomes fundamental to this research as it highlights a gap in the extant literature that deals with the different phases of the entrepreneurial start-up which forms the basis of this investigation. I will conclude this Chapter positioning this study in relation to existing research.

This Chapter is divided into two parts. The first part aims to give the reader a better understanding of the literature with focus on entrepreneurial networks. After an initial discussion of the interface between entrepreneurship and networks, I introduce the different definitions available for the term ‘network’ and I highlight the different types of networks as well as the advantages and disadvantages of entrepreneurial networking. Whilst the literature on entrepreneurial networks is vast (as outlined in the thematic overview in Table 3.1) and I recognise its importance, I have only reviewed in detail the parts of the literature that deal with entrepreneurial network dynamics at the pre-organisation stage as I considered these most relevant to this study (see part II of this Chapter). This literature provided the idea for a phases’ approach and I used the phases’ model as a tool to make the entrepreneur identify both the actual phases (s)he had perceived as well as the activities and people involved. In addition, the different phases of the entrepreneurial venture and the network of the people involved provided the structural foundation for the research, the structural dimension of social capital, an issue that I pursue in Chapter 6.

3.2 The importance of entrepreneurial networks

Arguably, networks are of catalytic importance in entrepreneurial ventures and play a ‘protagonist’ role in many aspects of organisational emergence (Aldrich & Zimmer

1986, Birley 1985, Larson & Starr 1993, Nicolaou & Birley 2003). 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 1987a,b). As Hansen & Allen (1992) and Aldrich & Mattson (1987) argued, the body of entrepreneurial network literature indicates 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 suggests that entrepreneurial networks are integral to the entrepreneurial process.

3.3 Early beginnings of the network approach

The network approach is not new, in fact it dates back to the 1930s when it first emerged in organisational research and later in the 1950s in anthropological and sociological work (Barnes 1969, Jack 2005, Nohria 1992). Networks have been examined from a range of different perspectives and as Monstedt (1995) argues, the multitude of types of networks that exist makes it difficult to imagine one network theory as networks cover many aspects of social theory, from local economic structures to subcontractor relations and from small groups to strategic exporting. Tichy et al. (1979), for instance, identify three schools of thought that are the conceptual origins of the network approach: sociology with early work done by Simmel (1950) on interaction and communication as key to understanding social life; anthropology with emphasis on the content of the relationships (see for instance Levi-Strauss 1969 and Blau 1964 on exchange theories); and for role theory see for instance Katz & Kahn (1966). In addition, there has been some input by organisation researchers such as Whyte (1955) and Chapple & Sales (1961) and community power studies, rural anthropology (in particular Mitchell 1969 and Boissevain 1974) and the research and development management literature (Tichy et al. 1979).

The network perspective in strategic management and business administration has particularly focused on inter-organisational relationships such co-operations, strategic alliances and joint ventures (Witt 2004) and a substantial literature exists in the field of interorganisational networks (see for instance, Ahuja 2000, Cook 1977, Charan 1991, Fulop 2003, Gulati & Garguilo 1995/8, Kogut 2000, Soh 2003 and Zander 1999).

Sociological approaches have taken the individual as a starting point and explored communication or information links between the individual and the network partners (Freeman 1978/79, Granovetter 1973). As Witt (2004) highlights, both management and sociological disciplines “found a fruitful intersection in entrepreneurship research” (p. 392), demonstrated by a tradition of studying entrepreneurial networks and their effect on the entrepreneurial venture that goes back to the mid 1980s.

3.4 Entrepreneurship and social network theory

Although the economic contribution of entrepreneurship and the entrepreneur has been accepted as a well established fact (Schumpeter 1934, Kirzner 1973) it took much longer for the recognition to emerge that entrepreneurship is also embedded within a social context. In fact, the personal network construct in entrepreneurship research emerged from the recognition that traditional approaches to the study of entrepreneurs and entrepreneurship have failed to consider the social context. They have, in particular, neglected the relational nature of the process of entrepreneurship (Aldrich et al. 1987, Staber & Alrich 1986, O'Donnell et al. 2001). As Aldrich et al. (1987) highlighted, traditional approaches relied on personality approaches (see for instance McClelland 1965) and socio-cultural explanations (see for instance Fleming 1979). Granovetter (1985) drew, however, attention to the fact that the pursuit of economic goals is typically accompanied by non-economic ones such as sociability, approval, status and power and that “economic action (...) is socially situated and cannot be explained by reference to individual motives alone. It is embedded in ongoing networks of personal relationships rather than carried out by atomised actors” (Granovetter 1985, p. 2005). Similarly, Staber & Aldrich (1995) emphasised that entrepreneurship is “embedded in social context, channelled and facilitated or constrained and inhibited by people’s positions in social networks” (p.4). As a result, we see that in the 1980s the focus shifted from an analysis of the socio-psychological characteristics of entrepreneurs (e.g. traits approach) to the social and institutional context in which entrepreneurship is embedded (Schutjens & Stam 2003) and the nature of the networking phenomenon started to attract considerable attention in the management and entrepreneurship literature (see for instance Aldrich & Whetten 1981, Aldrich & Zimmer 1986, Birley 1985, Jarillo 1988, Johanson & Mattson 1987, Thorelli 1988, Szarka 1990). Drakapoulou et al. (2002) concluded that entrepreneurship has embraced networking theory as a mechanism for exploring the creation and development of new ventures.

With its focus on relations among actors, regardless of whether they are individuals, work units or organisations (Brass et al. 2004) the social network perspective recognises that social actors are embedded within networks of interconnected relationships that provide opportunities and assist the entrepreneur in obtaining access to scarce resources such as finance, product ideas and information from their environments (Aldrich et al. 1987, Shulman 1976). Hence an entrepreneurial network has to be understood in its context and its associated logic which “reflects a delicate blend of instrumental/business and existential/social aspects upon entrepreneurship” (Johannisson et al. 1994, p). The social network perspective differs from traditional perspectives in organisational studies that examine individual actors in isolation as it focuses on “relations rather than attributes, on structured patterns of interaction rather than isolated individual actors” (Brass et al. p. 795).

Drawing upon Mitchell (1973), Aldrich & Zimmer (1986) highlighted that the starting point for studying entrepreneurship through social networks is either a relation or transaction between two people with relations having either a communication (i.e. passing information from one person to another), exchange (exchange of goods or services between two people) or normative content (expectations persons have of one another). The entrepreneur’s social network, consisting of both family, friends, community and other organisational relationships, is supposed to supplement the effects of education, experience and financial capital (Bourdieu 1983, Coleman 1988, 90). Relatives or friends may help out financially, husbands or wives may contribute with their workforce to the venture, acquaintances may give advice about legal information. As Aldrich et al. (1987) conclude, entrepreneurs who have social networks rich in resources are more likely to succeed than those who have not. Given that social networks and networking are increasingly recognised as beneficial to entrepreneurship (Aldrich et Zimmer 1986, Hansen 1995, Jenssen & Grewe 2002, Staber & Aldrich 1995), network analysis needs to consider both the structure of the network and the nature of the interaction between the different actors (Burt 1992, Granovetter 1973, 1985; Mitchell 1973). As highlighted by Granovetter (1992, p. 25), economic action is embedded in ongoing networks of personal relationships and economic goals are typically accompanied by non-economic goals which are related to the social context, an argument that was similarly expressed by Young (1998) who made the point that economic actions are conditioned by ongoing structures of social relations.

3.5 Five levels of interaction

Having outlined the early beginnings of the network approach the following section illustrates the relationships between entrepreneurship and networking. A discussion of entrepreneurial network literature should start with an analysis of the commonalities of both concepts as arguably, entrepreneurship and networks/networking interact on at least five levels, as illustrated by Figure 3.1. Whereas the first level relates to both entrepreneurship and networks being processes, the second relates to opportunities, the third to resources, the fourth to the idea of the entrepreneur having an organising function and the fifth level is about context. I argue that this initial analysis is key to integrating the concept of social capital in the later discussion (see Chapter 4).

The idea of both entrepreneurship and networking being processes is key to the understanding of entrepreneurial networks even though much research in entrepreneurship has neglected the process dimension (Shane & Venkataraman 2000). For Venkataraman (1997) entrepreneurship is about the process by which opportunities are brought into existence, future goods and services are discovered, created and exploited and Sarason et al. (2005) characterise entrepreneurship as “a recursive process between entrepreneur and social system wherein entrepreneurs as much create opportunities as discover them” (p.4). Aldrich & Zimmer (1986) eventually create a link between entrepreneurship and networking by concluding that networking is essentially a socially constructed process that results from actions of entrepreneurs. I will come back to the process dimension of this research in Chapter 5.

Researchers such as Stevenson & Jarillo (1989), Dubini & Aldrich (1991), Sarason et al. (2005) and Shane & Venkataraman (2000) and Venkataraman (1997) have stressed the idea that opportunities are crucial to the entrepreneurial process. In fact, Dubini & Aldrich (1991) define entrepreneurship as “the process by which individuals – either on their own or inside organisations – pursue opportunities without regard to the resources they currently control (p. 305). Furthermore Sarason et al. (2005) add that the “interactive coming together of entrepreneur and opportunity is conceptualised as a duality whereby the entrepreneur and opportunity cannot exist independently; and therefore, cannot be understood separate and distinct from each other” (p. 2). However, an entrepreneur needs to mobilise resources to pursue opportunities which requires entrepreneurial contacts, knowledge and confidence. Hence Sorenson (2003) concludes

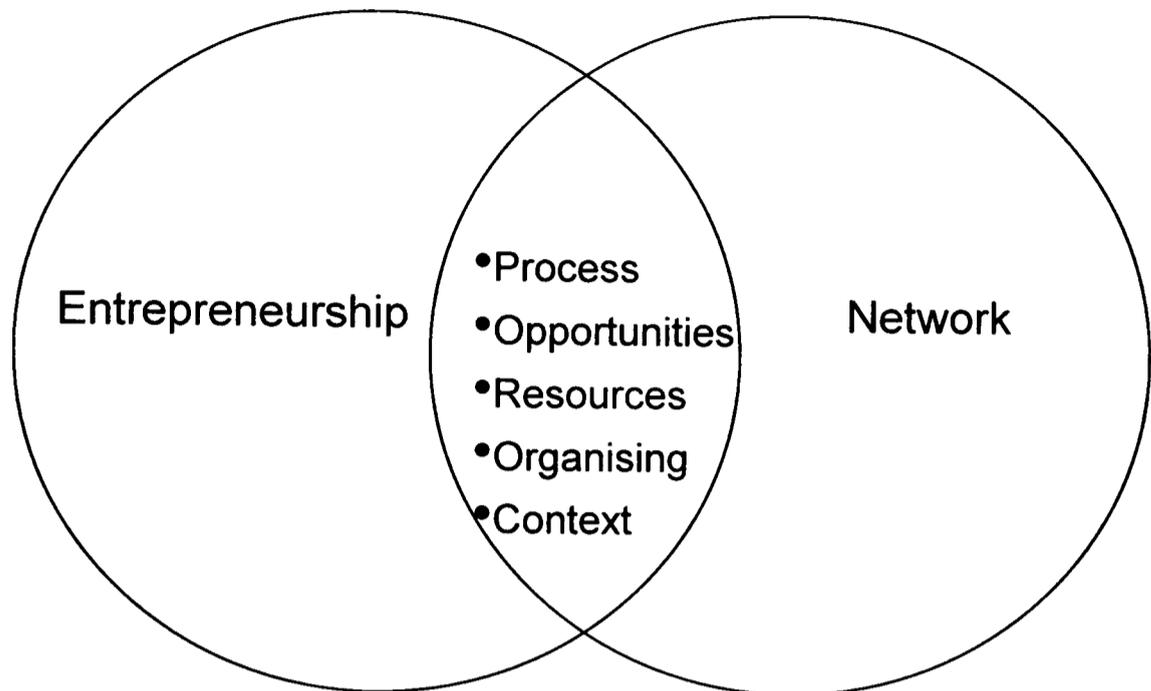
that entrepreneurs must first access social networks to identify opportunities in the economy.

The third link between networks and entrepreneurship are resources. Given that entrepreneurs are commonly perceived as opportunity spotters (Bolton & Thompson 2000) they use more resources than they control as they are motivated by opportunity (Jarillo 1986). Hence entrepreneurs must access social networks not only to identify opportunities but also to access resources that are essential throughout the different phases of the entrepreneurial start-up. The latter aspect will also be given further consideration in Chapter 4.

Entrepreneurship, networks/networking as well as the ideas of opportunity and resources are interrelated, yet it needs the entrepreneur to take on an organising function to combine the different factors; an idea that was already highlighted by Kirzner (1973) who saw the entrepreneur as an anarchist, as an organiser who integrates new business concepts into the existing market knowledge. In the words of Johannisson (1988) organising is “the episodic use and continuous re-arrangement of activities in the marketplace” (p. 90) and entrepreneurial networks provide the necessary framework for the entrepreneur’s organising activities (Johannisson 1988).

Entrepreneurship and networks co-evolve within the nexus of interaction between the entrepreneur and the socio-economic system in which the entrepreneurial activity is embedded. Hence entrepreneurship and networks meet in context as neither the entrepreneur nor his venture exist within a vacuum; neither does the network he creates. In fact both the entrepreneurial venture and the network will be part of a certain socio-economic, political and cultural context which arguably may differ depending on the country, the region and the locality concerned (see Chapter 2). Whereas the ‘instantiated’ venture will be unique at any point in time as both the venture and the entrepreneur’s conception thereof will change, it has been suggested that the entrepreneur may influence the existing system through a process of experimentation (Sarason et al. 2005). As a result, we can see a process of mutual interdependence between entrepreneurial networks and the context in which they are embedded. Figure 3.1 shows the five levels of interaction between entrepreneurship and networks.

Figure 3.1: Five levels of interaction



The analysis of the overlapping fields between entrepreneurship and networks/networking has established one part of the theoretical framework against which this research needs to be understood. This model will later be expanded to include social capital theory (Chapter 4).

3.6 Network definitions and network types

Given that the network concept has enjoyed an increasing popularity a number of attempts have been made to define the concept. The task has, however, been made difficult as “the concept is used to define a variety of phenomena, such as formal and informal organisations” (Monsted 1995, p. 195). As Araujo & Easton (1996) critically commented, the term network has become a “catch-all term under which a variety of theoretical and methodological positions in the social sciences seek refuge” (p. 64). Indeed many consider networks as abstract concepts which consist of interconnections that are unique to the focal person who created them and as such difficult to analyse (Birley et al. 1991). In a similar vein, Johannisson (1986) stated that networks are loosely coupled systems with fuzzy boundaries, and Aldrich & Zimmer (1986) suggest that networks are open organisations without ends.

Given the wide range of theories that have explored networks and networking I suggest that the definitions employed need to be understood as a reflection of the discipline the researcher adheres to. The sociologist Shulman (1976), for instance, highlighted the need to distinguish between personal or ego-centred networks and the total network and first and subsequent orders or zones of personal networks. The author defined the personal network as “the set of persons connected to a particular individual (ego) who represents the focal point or anchorage of the network” (p. 310), yet the total network includes “all existing connections among all persons in some defined set or domain” (p. 310). The distinction between first order and subsequent order personal networks is based on the assumption that the set of people who “are directly connected to ego” (p. 310) are referred to as the first order network which contrasts with those who are linked to ego through an intermediary. Boissevain (1974) called these people the “friends of friends”, who may be potentially available to ego and be useful to pass on information or provide assistance.

Differing slightly within the context of joint ventures and strategic alliances, Podolny & Page (1998) defined the network as a form of governance which is “any collection of actors ($N \geq 2$) that pursue repeated, enduring exchange relations with one another and, at the same time, lack a legitimate organisational authority to arbitrate and resolve disputes that may arise during the exchange” (p.59). In comparison, within the context of strategic networks Thorelli (1986) describes networks as consisting of nodes (positions occupied by firms, households, strategic business units inside a concern) and links manifested by interaction between these positions. Consequently, the author argues that the positioning of the firm in the network becomes a question of great strategic significance. This is in line with O’Donnell et al. (2001) who emphasised that the fundamental components of networks are nodes and connections. Nodes stand for actors/individuals and connections are social ties/bonds. Therefore a network “consists of a series of direct and indirect ties from one actor to a collection of others” (O’Donnell et al. 2001, p. 749) and entrepreneurial networks are the sum total of relationships in which an entrepreneur participates. The possibly widest definition has been offered by Burt (1992) who defined a personal network as each player having a network of contacts consisting of everyone he now knows, everyone he has ever known and everyone who knows him even though he does not know them.

In addition to the debate surrounding the definition of the term network, Chell & Baines (2000) highlight the need to differentiate between networks and networking, the latter being associated with, but distinct from, networks. In fact, networking does not have an objective existence independent of the person who is networking as the latter comprises social processes over and above the normal economic trading relationship. Consequently, the network is a social construction that exists only so far as the individual understands and uses it (Johannisson 1996). In comparison, Birley et al. (1991) view networking as a rather informal, idiosyncratic mechanism of information gathering for decision making processes. Alternatively Jarillo (1988) places the emphasis on resources when he views networking as a system “by which entrepreneurs can tap resources that are “external” to them, i.e. that they don’t control” (p.133). In fact, in its most sophisticated form an entrepreneur would set up an elaborate web of relationships between companies, most of them of similar entrepreneurial features that are extremely efficient and flexible at delivering a product or service (Jarillo 1988).

Given the diversity of network definitions it is not surprising to see that there is even less agreement on the types of networks that exist (Szarka 1991). Much attention has been given to the classical distinction between personal and inter-organisational networks, in line with Melin (1987, p.31) who suggested that “networks can mean both social relationships among individuals and interactions among organisations”. In fact, summarising the distinction between inter-organisational and personal networks, O’Donnell et al. (2001) state that in the latter the individual is key and the links are informal whereas in the former the organisation is at the centre of attention and the links are formal. However, the authors critically point out that in the literature the term personal network has also been applied to encompass actors who are organisations as opposed to individuals. Hence we cannot exclude the possibility of there being overlap between inter-organisational and personal networks. In comparison, Dubini & Aldrich (1991) defined personal networks, or role sets as “all those persons with whom an entrepreneur has direct relations (or, for some purposes, indirect relations via direct relations)” (p.307). They contrasted personal networks which are constructed from the point of view of a particular individual with extended networks which are the “collective result when interconnected personal networks are examined” (p. 309). Conversely, Birley et al. (1985) and Johannisson (1986) distinguished between formal and informal networks, whereby the formal network relates to professional ties such as

bankers, accountants, lawyers, suppliers, government agencies. This contrasts with the informal network which comprises both family and friends.

Other authors such as Mitchell (1973) distinguished between communication, exchange and normative networks and Johannisson (1987a), following Kanter (1983) and Mitchell (1973), suggested that there are production, personal and symbolic networks which are all part of exchange networks given that reciprocity is their focus. The discussion of these different types of networks would, however, go beyond this study.

3.7 The entrepreneurial benefits of networking

3.7.1 Access to resources, information and opportunities

The fundamental proposition of network theory is that network ties give access to resources otherwise off limits which may be finance, technology, access to information, capabilities or local knowledge and human capital (Brass et al. 2004, Elfring & Hulsink 2003, Garnsey 1988, Johannisson 1988, Larson 1992, Nahapiet & Ghoshal 1998 and Nicolaou & Birley 2003, Sorenson 2003). In particular, Chell & Baines (2000) highlighted the importance of networking as a method of information gathering for entrepreneurs given that entrepreneurial success is a function of the new venture idea, entrepreneurial know how and entrepreneurial know who. As a result, owner managers are at the centre of their own intelligence gathering networks. This is very similar to Minguzzi & Passaro (2000) who argued that the development of an adequate network of socioeconomic relations among the actors is key to gathering information, know how and innovative skills. Sorenson (2003), however, emphasises that social relationships have a crucial role in acquiring tacit information as private information regarding entrepreneurial opportunities flows through social networks, yet does not lend itself to market-based exchange. Nicolaou & Birley (2003) link the discovery of entrepreneurial opportunities to the distribution of information in society and as human action is embedded in ongoing systems of social relations (Granovetter 1985), social networks are key to accessing and harnessing this information and hence rendering opportunity recognition possible. Furthermore, Sorensen (2003) argues that the localised structure of social networks implies that the potential entrepreneur will be most aware of opportunities in the industry in which he works. Arguably, these networks bind entrepreneurs to the locations where they reside due to ready access to resources and social support. The latter argument also holds true in this study as the majority of the

entrepreneurs created in the industry in which they had gathered their professional experience.

3.7.2 Access to knowledge

Closely related to issues of information exchange and information transfer are knowledge exchange, learning and innovation. As a result, networking may be of benefit to innovation and knowledge related activities, as the latter are likely to be influenced by patterns of interunit ties (Brass et al. 2004). Social ties between units facilitate knowledge sharing for units that compete in the same market segments (Tsai 2001) and Hansen (1999) argued that strong ties between business units facilitate the transfer of complex knowledge whereas weak ties are sufficient for less complex knowledge. As a result, networks can work as channels of information, ideas and skills in particular within a supportive institutional environment (Maillat 1995, Storper 1997).

3.7.3 Networks providing a supportive environment

Powell (1990) stressed that networks are about “reciprocal, preferential, mutually supportive actions” (p. 304). Given the fragility of the small business due to its small size, Szarka (1990) insists that such disadvantages can be offset by a supportive environment consisting of friends, family, colleagues who are part of the entrepreneurial network. In fact, as highlighted by Almeida & Kogut (1999), trust and reciprocity may be the basis for promoting social interaction and knowledge transfer. Whereas the personal network may in fact be essential for building the self-confidence of the fledgling entrepreneur (Johannisson et al. 1994), the fact that the entrepreneur is accompanied by a number of trusted people in the different phases from conceptualisation to the actual realisation of the venture and him knowing these people long before the entrepreneurial idea was actually conceived, makes the network an ultimate safety net for the entrepreneur (Johannisson 1990). Hence the individual entrepreneur and his entrepreneurial venture need to be considered jointly, an idea which emphasises the link between the entrepreneur as a person and the entrepreneurial process as an interactive organising process triggered by an individual (Johannisson 1996). Arguably, this may facilitate a more open stream of confidential information between exchange partners and reduce conflict.

3.7.4 Networks save time and facilitate legitimacy

As Dubini & Aldrich (1991) suggest, networking may also be a useful tool for entrepreneurs who wish to enlarge their span of action and save time. In fact, Johannisson (1988) argued that whereas launching a new venture is a time-consuming process the time needed to accumulate the right experience can be reduced by contact with mentors, role models and other business colleagues who have gone through a similar experience. Arguably, they can “legitimise the new entrepreneur in his own network-building endeavour” (Johannisson 1988, p.86), which is in line with Stinchcombe (1965) who highlighted the liability of newness, i.e. the lack of stable exchange relations and a lack of access to resources which make new firms particularly prone to fail, as a key problem of an emerging firm in the quest for survival.

3.7.5 Networks reduce uncertainty

Networks or networking may also be a response to periods of rapid change and instability in demand, in short a turbulent environment which may be hostile to the entrepreneurial venture (Johannisson 1987a,b). Relation-based coordination can reduce uncertainty and thereby transaction costs associated with inter-firm exchange (Borch & Arthur 1995, Borch 1992, Jarillo 1988), which is a very important argument for a fledgling entrepreneurial venture that may lack market power for negotiation. Hence our entrepreneur has an interest to recreate and reconstruct his perceived environment through formal and informal networks by creating a transaction cost efficient and supportive environment (Birley 1985, Borch & Huse 1993, Golden & Dollinger 1993). As a result, networking may help the entrepreneur adopt appropriate strategies to anticipate competitors’ moves and satisfy consumers’ needs quickly, yet the success of these processes may also depend on the firm’s capacity to learn from its external environment (Day 1994, Dickson 1992, Minguzzi & Passaro 2000). Similarly, Butler & Hansen (1991) stressed that the entrepreneurial network may provide some form of political protection for the entrepreneur from those who have a ‘vested interest in failure’ (Aldrich & Zimmer 1986).

3.7.6 Networks reduce opportunism

Closely related to these aspects, Dubini & Aldrich (1991) argued that usual market mediated transactions generate three problems: opportunism, uncertainty and exit. Whereas opportunism is always a possibility as the transaction may be a one-off deal, the problem of opportunism is increased in situations of uncertainty and exit, i.e. the

other party leaving when problems occur. However, networking may be a solution to these problems as it is about both parties investing in a long-term relationship, i.e. both parties have an interest in avoiding any opportunistic behaviour. Trust in each other, increased predictability and voice, i.e. “making one’s complaints known and negotiating over them rather than sneaking silently away”, (Dubini & Aldrich 1991, p.308) are part and parcel of efficient networking. The authors concluded that networking is “first and foremost a way of overcoming some of the liabilities inherent in purely market-like transactions with other people” (p. 308). Given that networking is about “expanding one’s circle of trust” (Dubini & Aldrich 1991, p. 308) it is supposed to keep other entrepreneurs from norm breaking, which works on the understanding that networks are governed by certain rules related to trust and tradition to avoid opportunism.

3.7.7 Networking to craft an identity

The entrepreneur uses networks or networking to craft a (personal) identity (Johannisson 1988). As Johannisson (1988) argued, entrepreneurs come furnished with the personal attributes to enact the environment, i.e. to socially construct it through attention, action and interpretation. Their egocentricity brings both vision and strategy to the creation of a reality of their own and the entrepreneurial venture may become an extension of the entrepreneurial personality. Enactment, however, happens gradually, and it needs to be guided by a vision which facilitates the learning and unlearning processes that successful enactment asks for. The result are entrepreneurial networks that stand out as patterns of ‘personal relationships’ (Johannisson 1996). Any exchange in which the small firm is involved is biased due to the personal perceptions and interests of the owner manager and business networking will reflect the existential motivation of the individual becoming and remaining an independent owner-manager.

3.7.8 Networks to solve dependency-independency issues

The network perspective offers the entrepreneur the possibility to reconcile the paradoxical situation of striving for independence, yet being dependent on his environment for resources. Blackburn & Curran (1994) point out that small business owners value their independence in a way that produces a ‘fortress enterprise’ which expresses “an extreme reluctance to engage in any behaviour which might lead to a dependence on others or even be seen as showing a need for others” (p. 172). Monsted (1995) and Johannisson (1996) strongly disagreed with the latter and insisted that far

from creating dependence, networking “encompasses a generic dependence/independence paradox” (Johannisson 1996, p. 216).

3.7.9 Networks as loci of social exchange

Networks are crucial not only because they are dynamic and adaptable but also because they are loci of social exchange. An entrepreneurial venture does not exist in a vacuum, in fact as argued by Granovetter (1985) much economic activity is embedded in a social context. Entrepreneurial networks are social networks in that they are about processes between different actors, which arguably reflect the needs of the entrepreneur in the different phases of his venture creation. As a result, we see entrepreneurial networks as loci of exchange as they acknowledge the socio-economic aspects of exchange relationships and entrepreneurs find networking attractive as it combines both economic and social aspects.

3.7.10 Networks help to cope with failure

To complete the range of benefits an entrepreneur may perceive from networking let us not forget the worst case, i.e. the failure of the entrepreneurial venture. Johannisson (1988) optimistically emphasised that even in such a case entrepreneurs may use their personal network to recapture a position in the business world (Johannisson 1988).

3.8 Disadvantages of entrepreneurial networking

Whilst much of the literature has highlighted the benefits of entrepreneurial networking little attention has been paid to the potential disadvantages. In fact, Nicolaou & Birley (2003) highlight that no systematic work has been done to date on the drawbacks of social networks from an entrepreneurship perspective. We find, however, the occasional critical comment in work done by, for instance, Birley (1985) who found that informal ties create a barrier to the formal system rather than act as a conduit. Turati (1988) also critically highlighted that networking may be both time-consuming and fruitless leaving the partners highly frustrated which may, in particular, be the case when the relationship has been spoilt by a certain opportunism. Even more important seems to be the possibility of creating an unwanted dependency relationship through networks, an aspect I already commented upon in section 3.7.8, which is similar to the view expressed by Gulati et al. (1999) who warned that networks can prevent firms from forming successful partnerships with others. However, whereas Butler et al. (1996) stressed that information flows derived from extensive networks enable firms to

better predict and control their immediate environments their research found that small firms fail to appreciate the significance and value of their networks.

An understanding of the advantages and disadvantages associated with networks and networking is essential to comprehend the motivation of an entrepreneur when he engages in such activities. Some of the issues discussed in this section may be picked up again in Chapters 7-9.

3.9 A classification of the existing literature on entrepreneurial networks

3.9.1 Literature on network configuration

From the literature review I identified a number of themes researchers have pursued in their studies (see Table 3.1). There is a large literature that deals with *network configuration* and all aspects related to it. Researchers employ social network tools to investigate, for instance, network size (see for instance Birley 1985, Aldrich & Zimmer 1986, Birley et al. 1988, Butler & Hansen 1991, Burt 1992, Greve 1995), network diversity (see O'Donnell et al. 2001, Dubini & Aldrich 1991, Steier & Greenwood 2000), tie strength (see Anderson & Miller 2000, Chell & Baines 2000, Elfring & Hulsing 2003, Granovetter 1973, 85), structural holes (see for instance Burt 1992) as well as issues of structural equivalence (Burt 1992). As Jack (2005) concludes, the emphasis of this literature has been on measuring the extent and range of contacts within a network as well as the actual structure of a network. One major shortcoming of this research has been, however, that it does not strive to understand what really goes on within a network and only modest insights are revealed about network evolution over time (Jack 2005). The latter is a particularly important criticism as the objective of this research is to explore the role of social capital in the different phases of the entrepreneurial start-up, i.e. I was particularly interested in the evolution of the entrepreneurial network. Hence this research fills a gap in the existing literature on entrepreneurial networks by responding to this need for more information on the dynamics of entrepreneurial network development.

3.9.2 Literature on the impact of networks on business performance

The bulk of research on entrepreneurial networks has, however, focussed on *the impact of networks on the growth/performance/success of the venture*. Some authors also refer to the entrepreneurial network success hypothesis, which following Witt (2004),

proposes that “building and maintaining large personal networks is recommended for entrepreneurs to foster the success of their start-ups” (p. 401). For a review of the literature inquiring into the impact of entrepreneurial networks on growth/performance and/or success of the venture see for instance Witt (2004), who traced the early work in this field back to Aldrich et al. (1987) (also see Table 3.1 for an indicative list of authors).

The results from research into the links between entrepreneurial networks and business performance have, however, been controversial and Johannisson (1996) concluded that the “personal network is a necessary but not sufficient vehicle for success” (p. 264). Although I will not further expand on this research in detail as it is not central to this study, I may come back to it in Chapters 6-9.

3.9.3 Literature on network governance

Network governance constitutes a “distinct form of coordinating economic activity (Powell, 1990, p. 301) which contrasts and (competes) with markets and hierarchies (Jones, Hesterly & Borgati. 1997). As argued by Jones, Hesterly & Borgati (1997), “network governance involves a select, persistent and structured set of autonomous firms (as well as non profit agencies) engaged in creating products or services based on implicit and open-ended contracts to adapt to environmental contingencies and to coordinate and safeguard exchanges. These contracts are socially – not legally – binding” (p.914). All networks have rules of engagement which constrain the partner’s behaviour and these rules are governed by the network’s governance mechanisms and the infrastructure (industrial culture) in which the network is embedded. However, how networks are governed can potentially play an important role in their effectiveness and their capacity to assist the entrepreneurial process. The literature review surrounding governance issues in entrepreneurial networks has identified a focus on control mechanisms such as power, trust, influence and commitment. Whereas I acknowledge the importance of work done by researchers such as Brass et al. (2004), Coleman (1988), Johannisson (1987a, 88), Jarillo (1988) and Jones, Hesterly & Borgati (1997), I will not present a review of this literature in this Chapter due to its limited applicability to this research. However, I will come back to the issue of trust in Chapters 7-9.

3.9.4 Literature on context

Although traditional approaches to entrepreneurship have neglected the relational nature of the process of entrepreneurship and as a result the importance of social context for entrepreneurial networks, Scandinavian researchers such as Johannisson (1986, 88) started to investigate the importance of *context for* entrepreneurial networks in the mid 1980s. Indeed Johannisson (1988) argues that the organising context is fundamental to the entrepreneur and that entrepreneurs operate in an organising context such as the local community or a large corporation which has a boundary of which participants and members are aware. In fact, we note that very little research has explored the importance of context for entrepreneurial networking, some notable exceptions are Granovetter (1973, 85), Jack & Anderson (2003), Johannisson (1986, 88), Johannisson et al. (1994), Sarason et al. (2005) and Schutjens & Stam (2003). This research focuses on the role of social capital in entrepreneurial networks of former Grande Ecole students and I already acknowledged the importance of the context for entrepreneurial networks in Chapter 2.

3.9.5 Cross-national entrepreneurial networking

Very little attention has to date been given to cross-national entrepreneurial networking activities, notable exceptions are Aldrich & Zimmer (1987), Birley et al. (1991), Blankenburg Holm et al. (1996), Batjargal (2001), Drakopoulou Dodd & Patra (2002). In fact, Greve & Salaff (2003) pointed out that cross-cultural literature on the role of network structure in entrepreneurship is undeveloped. In particular very few references can be found in the Anglo-Saxon literature on networks and networking in a French context, notable exceptions are Lorenz (1991). This opens up opportunities for this research to contribute to the extant body of literature by adding a French perspective to the existing pre-dominantly Anglo-Saxon and Scandinavian research.

3.10 This research

In this part of the Chapter I have highlighted the existing knowledge that is already available on entrepreneurial networks and I have shed light on the interface between entrepreneurship and networks. I have examined different definitions and types of networks and explored advantages and disadvantages associated with network/ing. I also offered a classification of the existing literature on entrepreneurial networks (see Table 3.1), an approach which has facilitated the identification of the different contributions of this research.

For the purposes of this research I will follow O'Donnell et al.'s (2001) suggestion to view an entrepreneurial network as the sum total of relationships in which an entrepreneur may participate. However, as this study focuses on the role of social capital at the pre-organisation stage I only investigate the entrepreneurial network as identified by the entrepreneurs throughout the different phases of the start-up. Hence this study investigates the personal, egocentric networks of Anciens. Focus is on the individual entrepreneur and his/her relationship with formal and informal contacts.

Table 3.1: Themes of entrepreneurial network literature		
Theme	Description	Articles
Network growth and performance	The role of resources & opportunities and other factors in entrepreneurial networks	Aldrich et al. (1987), Aldrich & Reese (1993), Arocena (1984), Baum et al. (2000), Blundel 2002, Bruderl & Preisendorfer (1998), Butler et al. (2003), Butler et al. (1996), Chell & Baines (2000), Dubini & Aldrich (1991), Elfring & Hulsink (2003), Gargiulo & Benassi (1999), Gulati (1998), Hansen (1995), Hite & Hesterly (2001), Hite (2005), Human & Prowan (2000), Jarillo (1988), Larson (1991), Larson & Starr 1992/93, Lee & Tsang (2001), Littunen (2000), Oostgaard & Birley (1994), Rowley et al. (2000), Stinchcombe (1965), Steier & Greenwood (2000), Szarka (1991), Uzzi (1996)
Entrepreneurial network dynamics	The changing nature of the entrepreneurial network in the different phases of the entrepreneurial venture	Birley (1985), Birley & Cromie (1988), Larson & Starr (1992/3), Butler and Hansen (1991), Butler et al. (1996), Greve (1995), Greve & Salaff (2003), Hite & Hesterly (2001), Leung (2003), Schutjens & Stam (2003)
Network governance	Deals with the governance of network relationships in terms of social control mechanisms such as power, trust, commitment as well as influence	Brass et al. (2004), Coleman (1988), Howard (1990), Johannisson (1987, 88), Jarillo (1988), Jones et al. (1997), Larson (1992), Monsted (1995), Powell (1990), Thorelli (1986), Uzii (1997, 99)
Network configuration	Concerns aspects such as network diversity, type of industry, personal history, weak versus strong ties, structural holes and structural equivalence.	Aldrich & Zimmer (1986), Anderson & Miller (2000), Baum et al. (2000), Birley (1985), Birley et al. (1988), Burt (1992), Butler & Hansen (1991), Burt (1992), Chell & Baines (2000), Donckels & Lambrecht (1995), Dubini & Aldrich (1991), Greve (1995), Hansen (1995), Johannisson (1988, 96), Johannisson et al. (1994), Larson & Starr (1993), Monsted (1995), O'Donnell et al. (2001) Ostgaard & Birley (1994), Schutjens & Stam (2003), Thorelli (1986), Uzzi (1997, 99)
International entrepreneurial networking	Comparative analysis of entrepreneurial networks	Birley et al. (1991), Blankenburg Holm et al. (1996), Batjargal (2001), Drakopoulou Dodd & Patra (2002)
Networks in context		Granovetter (1973,75, 85), Jack & Anderson (2003), Johannisson (1986, 88), Johannisson et al. (1994), Sarason et al. (2005), Schutjens & Stam (2003), Taylor (1975), Taylor & Wood (1973), Yeun (1988, 94, 98)

The following section will present the findings from the in-depth literature review on entrepreneurial network dynamics. I argue that this literature has indeed been highly influential for this research as it provided me with the concept of a phases' model which

I used as a tool to enquire into the entrepreneur's perception of entrepreneurial network dynamics, the associated activities and the network ties involved at the pre-organisation stage. This approach was in line with the different research objectives as stated in Chapter 1.

PART II

3.11 The phases' approach to entrepreneurial networks

One aim of the earlier sections of this Chapter was to provide the reader with an overview of the vast literature available with a focus on entrepreneurial networks. A second aim was to give a better understanding of the interface between the two concepts of entrepreneurship and networks, the benefits of networking to the entrepreneur as well as provide an overview of the wealth of definitions and types of networks that have been employed to date. The remainder of the Chapter focuses on entrepreneurial network dynamics and in particular the phases' approach to entrepreneurial networks. I review the existing literature and I highlight the major gaps in the existing literature that this research aims to address.

The literature review has shown that the starting point for much research has been the assumption that entrepreneurial firms experience a life cycle. As Greve & Salaff (2003) highlight, the phases concept of entrepreneurship has gained acceptance in particular since Aldrich et al. (1987), followed by Katz & Gartner (1988), underlined that entrepreneurship is a process of incremental stages in which requirements change as business progresses. Similarly, Pittaway et al. (2004) argued that networks are dynamic and flexible constructs guided by the choice of partners and their network management capability, yet they also respond to the needs of the entrepreneurial venture.

There are a number of arguments that have been put forward as to why entrepreneurial networks evolve; one of them refers to the need for more resources. Hite & Hesterly (2001) and Koza & Lewin (1998), for instance, argue that networks and firms co-evolve and this evolution is triggered when resource challenges require networks to adapt as the adaptation then responds to the resource challenge. As the networks of emerging firms evolve in order to adapt to the firm's changing resource needs (also see section 3.7.1), changing network ties may influence the firm development and the flow of resources across the firm's boundary (Hite 2005). There are other factors such as the

different nature of the industry in which the entrepreneurial venture is founded which may have an impact upon the resource needs and hence upon the entrepreneurial network development (Brass et al. 2004). Furthermore, 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).

Researchers such as Johannisson (1987) have also suggested that there is a link between the changes in the personal network of the entrepreneur and a maturing of his social identification. In addition, we should also bear in mind that entrepreneurs also seem to differ in their individual propensity and capability to form networks (Brass et al. 2004, Hite & Hesterly 2001).

There is also an argument that proposes that not all ties are created equal. In fact, the compositional quality of a tie may, as argued by Borgatti et al. (1998), influence firm outcomes. Hite & Hesterly (2001) argued that networks evolve as entrepreneurs leverage prior firm affiliations, in particular previous career experiences, to bring broader functional networks to their new venture which may influence the emerging firm's success. This suggests that the entrepreneur has a vital role in inviting people with certain competences into his/her network which influences the entrepreneurial network structure due to the changing composition of the different ties.

Given the range of arguments put forward for why entrepreneurial networks evolve, I agree with Steier & Greenwood (2000) who conclude that a better understanding of networks requires a closer exploration of their continued evolution. In line with this argument Gartner & Brush (1999) and Hite & Hesterly (2001) suggested that a stages' approach is useful in understanding the processes of firm evolution and change over time. Each stage needs to be seen as a unique strategic context that influences the nature and extent of a firm's external resource needs and resource acquisition challenges. Thus firms and their founders are presented with the challenge of how to overcome these issues through a changing network configuration.

The following section discusses the existing literature on entrepreneurial network dynamics in more detail. One of the major outcomes from the literature review is the fact that much of the research has taken place in the US (see for instance Birley 1985, Hansen & Wortman 1989, Hansen 1991, 1995), few studies have been conducted in

Europe, notable exceptions are Schutjens & Stam (2003) and Greve & Salaff (2003) who report on a four-country investigation.

3.12 Birley's pioneering work in the 1980s

One of the pioneering studies with focus on entrepreneurial network dynamics was conducted by Birley (1985) who investigated the extent to which entrepreneurs use their local networks during the period prior to start-up. Using the US Unemployment Security Statistics (ES 202) she conducted a survey among 703 firms started between 1977 and 1982 in St. Joseph's country in Northern Indiana, the response rate was 25%. The author argued that the entrepreneur is largely guided by two factors when starting a business: previous employment which may provide an initial role-model and the advice and assistance available from his/her environment. Birley suggested that entrepreneurs rely on different people/groups of people in the different phases of the entrepreneurial venture and she distinguished between a formal and informal network. In fact, her study found that at an early stage of enterprise development entrepreneurs rely heavily on an informal network of friends, family members and other social contacts. With the development of the business this focus would, however, shift to include professional ties such as bankers, accountants, lawyers, suppliers, government agencies to obtain access to necessary information. Thus a shift occurs from informal network contacts to formal, commercial business contacts during subsequent stages in the life path of firms. Birley found, however, that entrepreneurs rarely used the formal network consisting of banks, accountants, lawyers, local government and chamber of Commerce. These formal sources of assistance were consulted when the different aspects of the firm had been decided upon and the entrepreneur was looking for finance; banks were the institutions referred to most of the time. Informal contacts were the most helpful in bringing together the elements of the business, and family and friends were the most helpful where local issues were concerned such as the location of the business and the recruitment of employees. The survey also asked the entrepreneur to name the major difficulties encountered during the start-up process. Perhaps not surprisingly the majority of respondents mentioned funding as the area where external help was sought the most. Contrasting growth versus no-growth firms the research found no significant differences between an entrepreneur's use of formal or informal networks. Birley concluded the research arguing that the informal system seemed to create a barrier to the formal system rather than acting as a conduit.

Birley's work is certainly ground-breaking as it breaks with the tradition of earlier research that had focussed on the personality of the entrepreneur (see for instance McClelland 1965) and definitions (see for instance Carland et al. 1988). In fact, her study succeeded in directing the interest of the research community to the entrepreneurial network and triggered a wave of studies examining firm foundations through a network perspective (see for instance Aldrich & Zimmer 1986, Adrich et al. 1987, Johannisson 1986, Dubini & Aldrich 1991). However, one of the biggest problems with Birley's work is that the notion of entrepreneurial phases prior to start-up remains relatively undefined and unspecific. Birley' (1985) early work was later confirmed by Birley & Cromie (1988) who found that entrepreneurs rely heavily on an informal network of friends, family and social contacts from the neighbourhood at an early stage of enterprise development.

3.13 Focus on the pre-organisation (Hansen's work)

Although Birley (1985) undoubtedly had a pioneering role in entrepreneurial network dynamics research, the first authors who drew attention to the importance of the pre-organisation or the entrepreneurial action set were Hansen and Wortman (1989), Hansen (1991) and Hansen (1995). They are among the few authors who argue that the pre-organisation stage is key to the entrepreneurial venture as it is exactly at that stage that the entrepreneur, in response to the environment, has to deal with a number of fundamental issues relating to the strategy, the configuration and structure of the new organisation. In a theoretical paper Hansen & Wortman (1989) developed the concept of the pre-organisation and the entrepreneurial action set which later became the basis for further research (see for instance Hansen 1995). The authors highlighted that the lack of interest in the pre-organisation stage can be explained by the fact that the entrepreneurship literature treats the entrepreneur at the pre-organisation stage as a "soloist", "as not having an organisation" (p. 69). As a result there is no interest in studying process and structure interactions as everybody assumes there are none. The authors conclude that in general researchers prefer to wait for the emergence of the organisation before they can apply existing management theory.

Following Katz & Gartner (1988), Hansen & Wortman (1989) apply a set of four properties which are considered both necessary and sufficient to constitute an organisation. These are: intentionality, resources, boundary and exchanges, which are not assumed to emerge at the same time. Whereas intentionality appears first when the

entrepreneur starts looking for information which can be used to achieve his/her objective of creating a company, access to resources such as information and capital will be a key issue for the fledgling venture and the entrepreneur will engage in cycles of exchange involving individuals, the environment or other organisations to secure these (Hansen & Wortman 1989). Once the entrepreneur has successfully obtained a sufficient amount of resources to realise the opportunity, (s)he will establish boundaries, i.e. register the new company. Hansen & Wortman's (1989) argue that 'something' already exists before the actual creation of the company and they follow Katz and Gartner (1988) who describe this 'something' as "...more than randomness but less than an organization", i.e. a pre-organisation. They conclude that from the conception of the entrepreneurial idea the entrepreneur would start functioning as "the manager of an organizational embryo in *vitro*" (p.71). I will follow Katz & Gartner's and Hansen & Wortman's (1989) definition of a pre-organisation for the purpose of this research.

Hansen & Wortman take their theoretical exploration further by drawing on the idea of an action set (Barnes 1969) and they define an entrepreneurial action set as "the total group of people involved in advancing to the intention" i.e. the operationalisation of the entrepreneurial idea. They conclude that this action set equals the pre-organisation and can be analysed both in terms of structure (morphological criteria) and process (interactional criteria).

Building upon the theoretical framework established by Hansen & Wortman (1989), Hansen (1991, 1995) investigated the effects of the structure and process variables on network organisation growth rates (both articles refer to the same study). Initially 164 companies were contacted, drawn from the Dun and Bradstreet database for Knox and Anderson counties, Tennessee, yet finally only 44 companies were actually interviewed as some of them did not fit the criteria of the study in terms of founding date as well as having full-time (FT) employees. The entrepreneurial ventures displayed an even spread between high and low tech new organisations as well as manufacturing, wholesale and business services, they had been operating for at least one year and employed at least one FTE employee, which effectively excluded all one-person firms and any firms younger than one year. Using Katz & Gartner (1988) again, Hansen (1995) took the hiring of the first employee as the beginnings of the new organisation. The period of interest for this study related to the six month prior to hiring the first full time employee and the twelve months that followed.

The author tested for the effects of structure and process variables at the pre-organisation stage of new ventures. In detail, he examined the impact of pre-organisation size, pre-organisation degree and pre-organisation frequency on the early new venture's growth. Whereas the pre-organization size relates to the number of people who contribute in some way to the creation of the new venture, the pre-organisation degree measures the interconnectivity within the pre-organisation and the pre-organisation frequency is about how often pre-organisation members interact with each other.

Hansen (1991, 1995) conducted a range of tests on the data ranging from simple descriptive statistics such as mean, standard deviation, range and plots to multiple regression. The author found that the size of the entrepreneur's pre-organisation ranged from two to nineteen members and size and degree were significant predictors of payroll, frequency was marginally significant. Furthermore, connectivity (degree) and interactivity (frequency) greatly improved the positive effects of a large pre-organisation on initial new venture growth. However, he also found that in larger more interconnected pre-organisations members tended to communicate less frequently on average than in smaller, less interconnected network, and that smaller and less interconnected networks tended to communicate more frequently through whatever links were available. Simply adding a new member to the action set was not enough in order to impact upon the entrepreneurial venture. Hansen concluded that these new people had first to become part of the structure of the pre-organisation. The notion of the pre-organisation underwent further investigation in a theoretical paper developed by Hansen & Allen (1992), yet I will not further consider the latter's work as it has very little bearing for this research.

3.14 Butler & Hansen's three phase model

Moving away from the notion of an entrepreneurial action set and the pre-organisation, Butler & Hansen (1991) developed a three phase model of entrepreneurial network evolution, consisting of the entrepreneurial, the business start-up and the ongoing business phase. They argue that the social network is extremely important in the pre-start-up stages as a large social network provides the entrepreneur with access to "a larger 'opportunity set' from which to draw both intangible information and tangible resources" as well as communicate entrepreneurial opportunities (Butler & Hansen 1991, p. 3). In the entrepreneurial phase a large social network is beneficial as it may

provide the entrepreneur with access to more opportunities which increases the likelihood of spotting entrepreneurial opportunities. Butler and Hansen's model suggests that a more focused network begins to develop during the second phase, i.e. the start-up phase, which is of a hybrid character comprising both individuals from the pre-existing social network and new individuals and organisations with direct business links such as suppliers, customers and capital providers. Certain tasks are associated with this stage such as raising capital, deciding upon an organisational structure and selecting suppliers (Butler & Hansen 1991, Larson & Starr 1992). As Butler & Hansen (1991) emphasised, this network evolves gradually and will reflect the nature of the entrepreneur's social network. In a similar vein, Schutjens & Stam (2003) are keen to emphasise that the role of the social network does not end in the second phase as information about future business opportunities will still be passed on through the social network. In the final phase of Butler and Hansen's (1991) model we arrive at a strategic network where the firm gets linked to other organisations and the entrepreneur becomes more and more aware of the strategic aspects of the network and its impact on the success of the firm.

Butler & Hansen (1991) tested this model in an empirical study among 29 wineries in 1988, most of the companies were started in Washington state in the 1980s. The authors chose a semi-structured interview approach with founder-entrepreneurs to obtain a detailed and complete description of each entrepreneur's network. Their data suggested two continua along which the social networks of entrepreneurs could be categorised, i.e. in terms of size and degree of wine relatedness. The entrepreneurs were organised in four possible categories: those who had a large social network but unrelated to wine, those who had a large network with focus on wine, those whose network was small and focussed on wine and those whose networks was small and unrelated to wine. None of the entrepreneurs fell, however, into the latter category.

The analysis of the first stage, i.e. the social network, suggested that large, but unrelated social networks generally produced diverse opportunities for the entrepreneurs and that the entrepreneur's social network functioned to boost the entrepreneurial process. In fact, there were some cases when the actual start-up was the by-product of a friend's suggestion or a business partnership offer. Examining large and related social networks Butler & Hansen (1991) found that ten entrepreneurs had already had very large social networks before starting their winery and that the ambition to create a winery had been

on their mind for some time. Although the social network of these entrepreneurs was as large as those with unrelated social networks (group 1), the wine-related opportunity set was much larger than any other opportunity set in their social network.

The third group of entrepreneurs disposed of a small, but focused social network (12 entrepreneurs) with the proportion of their wine-related network being large. These entrepreneurs had smaller social networks than the other groups of entrepreneurs but the opportunity set devoted to wine comprised almost their entire network. Butler & Hansen concluded that entrepreneurs with this type of network were more likely to end up in the wine business but it could take longer than for those with larger or broader social networks. Activities prior to start-up such as career choice and travel were related to wine making and served to collect capital, knowledge and experience in the field.

Butler & Hansen's (1991) study also found that the development of a business focused network was not a high priority for the entrepreneurs, in fact the data highlighted that they used their social network less than expected, in particular with regard to professionals such as accountants, lawyers and bankers. This is similar to Birley (1985) whose research had indicated that entrepreneurs used their social network much less than expected and professionals such as accountants, lawyers and bankers were rarely consulted during the start-up phase. In some of the cases the social network was used as a source of labour. There was, however, no consistent trend indicating that firms with larger social networks would have a substantially larger business network. One of the surprising findings was that for the entrepreneurs the actual business start-up seemed the easiest part of the process. The authors even felt that they tended to downplay the value of business expertise.

The last phase of Butler & Hansen's (1991) model acknowledges the possibility of the newly created organisation forging links with other organisations, i.e. strategic networks begin to emerge. Cooperation primarily relates to production and marketing and serve to facilitate competition with larger firms. Alliances emerged as a product of informal cooperation. This later phase also emerged in some of the cases I explored for this research and I will come back to it in Chapter 6.

Butler et al (1996) followed up this research when they investigate 54 wineries in the USA. They based their research on the same three-phase-model described earlier, yet the actual investigation focused on the last phase in the model, i.e. the inter-organisational network development and how it relates to firm profitability and growth. The authors suggest that information flows derived from extensive networks allow firms to better predict and control their immediate environment. However, they criticised small firms for failing to make full use of their business networks. Whilst the three-phase model developed by the researchers is certainly very interesting any further discussion of inter-organisational networks would go beyond the scope of this study.

3.15 Hansen's further work on the entrepreneurial action set

Hansen (2000) continued his early work on the entrepreneurial action set during the venture start up with a further study of 52 entrepreneurs at four different stages of the start-up process. Interestingly enough, Hansen is one of the first researchers in this particular literature segment to create a link between social capital and entrepreneurial network dynamics. He argued that social capital is "by definition embedded within entrepreneurial actions sets" (p. 1), as the resources needed to start the new venture may be provided by the entrepreneurial network. Hansen defined social capital as consisting of three entrepreneurial action set characteristics, i.e. action set size, action set degree and action set frequency, all three are variables Hansen had already used in earlier work (see Hansen 1991, 1995). The research focussed on 52 entrepreneurial students enrolled on a twelve week university extension services entrepreneurship certificate programme. Different from Hansen's earlier work where he relied on Katz & Gartner's (1988) four essential properties for the emergence of an enterprise (see Hansen & Wortman 1988, Hansen 1991, Hansen 1995), this study explored the different stages of the start-up process on the basis of four statements which tried to establish a) the commitment of the person to starting a business, b) whether (s)he had already sold the first product or service, c) hired the first employee and/or d) obtained the first loan/investment in the venture. The participants were scored according to these different stages, the maximum score attainable was four. The results from this study indicated that the emphasis during the entrepreneurial start-up shifts from strengthening existing ties and processing available information in the transition from stage one to stage two, to gathering additional social capital to invest in the transition from stage two to stage three and then again to strengthening existing ties and processing available information in the final transition from stage three to stage four. One of the key findings of this study is that a

shortfall in social capital half way through the creation process does not indicate the failure of the venture. In fact, Hansen emphasised that social capital can be added along the way which again underlines the importance of the social network perspective for the resource acquisition process in the different phases of the entrepreneurial venture.

3.16 Larson & Starr's (1993) model

A further major theoretical contribution to the literature on entrepreneurial network dynamics was developed by Larson & Starr (1993). The authors theorised about how the dyadic relationship would develop throughout the different phases of the venture. Building upon theories of social and socioeconomic exchange the authors developed a three stage network model of organisation formation from a set of relatively simple, often single-dimensional dyadic exchanges into a network of stable, multi-dimensional and multi-layered inter-organisational relationships. In the first stage there is a focus on the essential dyads, in the second stage a conversion is happening from dyadic ties to socio-economic exchanges and in the third stage different exchanges are being layered with multiple exchange processes. In all three stages the entrepreneur engages in the exploration, screening and selective use of networks dyads to gather the resources necessary for the emerging firm. In more detail, in stage 1 the entrepreneur draws on family, friends and previous working relationships to access information and resources as well as social support necessary to translate the business idea into a real venture. These ties may be built on historic affective interpersonal relationships (Larson & Starr 1993, p. 8) with an initially primarily affective/social character, yet slowly they reveal potential for instrumental and economic purposes. It is at this stage that the entrepreneur starts to select relationships opportunistically, inviting some new members and dropping others from the network. At the end of Stage 1, the business concept has been translated into a concrete plan where the entrepreneur has identified the necessary resources to realise his/her business idea.

At stage II one-dimensional exchange processes get converted into two dimensional exchanges, i.e. network dyads which started as either social/affective or economic/instrumental ties get transformed into socioeconomic exchanges through the actions of the entrepreneur. Thus, for instance, an initially economic relationship with a supplier takes on a personal and social dimension as both parties become better acquainted with each other. As Larson & Starr (1993) emphasise, the combination of social and economic dimensions of exchange may add a moral component to the

relationship, an aspect that had already been commented upon by Granovetter (1985) and Johannisson (1987). This part of Larson & Starr's (1993) model refers in particular to social exchange theory (Blau 1964, Homans 1958) which works on the understanding that dyads develop through stages of increasing commitment and reward. As Larson & Starr expand, the network members embark on a quid pro quo exploration process where the relationship's business potential gets tested through trial and error.

At stage III Larson & Starr (1993) distinguish between three layering aspects of exchange between the different ties. The first aspect is about the initial exchange relationship getting layered with additional business functions, activities and levels of exchange, which will push the entrepreneur into the final step of organisation formation (Larson & Starr 1993). A banker, for instance, who initially grants a loan may later expand the relationship to include a credit line and an unsecured loan. These accretions may result from both economic motivations and a social context of positive norms and expectations in which economic exchanges have become embedded (Granovetter 1985, Larson & Starr 1993).

A second layering process creates a tighter integration between dyads as steadily increasing interdependence encourages integration between the emerging organisation and certain key dyads. This process may result in an increasingly interactive relationship between the entrepreneur and his firm and important customers and suppliers.

A third layering aspect is the growing importance of the inter-organisational dimension. In fact, Larson & Starr suggest that the character of the exchange dyads shifts from a personal to a more organisational level. Exchange processes are no longer associated with one individual but have become parts of repeated cycles of exchange (Katz & Gartner 1988, Larson & Starr 1993). The norms and expectations that were established in earlier stages of the model impact upon exchange processes and have become the "accepted way of doing business within the network" (Larson & Starr 1993, p. 11).

Larson & Starr (1993) highlight that the successful outcomes of stages I to III will be the "crystallisation of an individual/organisational network made up of a critical mass of dyads that establish the new organisation as a viable entity" (p.13). Arguably, this will lead to a higher level of stability and predictability which results from the relatively

long-term commitment of those involved. This transformation is, however, not just limited to the entrepreneur and a set of important individuals but also includes outside individuals attached to organisations which are also linked to the entrepreneur and the entrepreneurial firm.

Although it is quite difficult to compare Larson & Starr's theoretical model with Butler & Hansen's modelisation due to the different terminology employed, we can identify some resemblances. Butler & Hansen (1991) distinguishes between an entrepreneurial, a business start-up and ongoing business phase. Whereas in the entrepreneurial phase the entrepreneur relies heavily on the social network, in the business start-up phase he pulls in more business contacts and the network becomes a hybrid; the final phase in Butler & Hansen's model is an inter-organisational network. In comparison, Larson & Starr (1993) emphasise the importance of dyadic relationships with family, friends and former business contacts in the first stage of their model which corresponds to the social network in Butler & Hansen's model. In the second phase of Larson & Starr's model we see a shift from dyadic ties to an emphasis on socio-economic exchange, which again is similar to the hybrid model suggested by Butler & Hansen. In the third phase of both models an inter-organisational network develops. Both models seem, to some extent, similar, yet Butler & Hansen's model benefits from the fact that the authors clearly name the different phases of the venture and identify certain activities with each phase. Furthermore they test and confirm the model in a research study (Butler & Larson 1991) which gives their modelisation added weight. Larson & Starr's model has the added advantage that it deeply analyses the different exchange relationships that emerge in the different phases of the entrepreneurial venture. Focus is on the entrepreneur as the one who explores, screens and evaluates network dyads to identify the necessary resources in line with the fledgling venture's needs. Larson & Starr also emphasise the importance of the multiplexity of certain ties, which is a key aspect that will be picked up later again by Hite & Hesterly (2001). The multiplexity of ties is also an important aspect for this particular study as the analysis in later chapters will show. Larson & Starr's model is also of great importance as it underlines the importance of trust, norms and reciprocity for exchange relationships which develop from Phase II onwards, aspects that will be picked up in Chapter 4.

3.17 Greve's work in Norway: focus on the pre-organisation

Different from the research around Hansen who pre-dominantly focused on the pre-organisation or entrepreneurial action set, Greve's (1995) quantitative study of entrepreneurial networks in Norway employs Wilken's (1979) three phase model which comprises three stages of the entrepreneurial venture: 1. idea development, 2. organising the founding of a firm and 3. running a newly established business. Whereas in the first phase the business idea is developed and social support is sought through discussions with other people, in the second phase the entrepreneur starts planning the venture in more detail in terms of business deals and financing. The third phase begins when the entrepreneurial venture starts to operate. Whereas boundaries may be blurred between the first and second phase, Greve argued that the situation may be clearer between the second and third phase as there would always be a definite date when the entrepreneur would start a business. Greve relabelled the phases. He called the first phase 'motivation phase', i.e. a period where the entrepreneur is thinking about starting a business which compares with the second phase which he defined as a time when practical steps are taken to start a business. Since the focus of this research is on the characteristics of the network of entrepreneurs in the different phases, Greve did not give any attention to the dynamics of the process including the time spent in each phase.

The targets of Greve's study were 106 applicants to entrepreneurial courses at two different colleges in Norway. Many respondents came from an entrepreneurial background with 46.8% of them having a father who was running a business and 20% a mother who had been involved in managing a new venture. The survey participants were presented with a questionnaire enquiring into their networking activities over the past six months. The phase in the establishment process and the participants' present occupational status were the dependent variables of the study, eight further questions which related to the number of persons in the network and the number of hours spent developing and maintaining networks constituted the independent variables. The focus was on the ego-centered networks.

Following Aldrich & Zimmer (1986) and Aldrich et al. (1987), Greve (1995) suggested that an entrepreneur's position in social networks is likely to determine both the outcome of the entrepreneurial venture and influence the resources available. To acquire complementary assets the entrepreneur needs to know where the right resources are available and how they can complete his existing resources, yet this kind of

knowledge is, arguably, only available through other people. Focussing on the characteristics of the entrepreneurial network in each of these phases, Greve set up a number of different hypotheses relating different variables to the different phases of the entrepreneurial venture. In detail, he explored a) the size of networks and the time spent on establishing and maintaining contacts; b) the different levels of density; c) the importance of bridges, d) distance and indirect contacts and e) the background of network contacts.

Network size was defined as the number of people an entrepreneur talks to during the establishment process. Size was considered as one of the key variables explaining the success of a new venture as a higher number of people in a network was linked to more possibilities of receiving diversified information. Size and time were considered as interrelated variables as the time available for establishing and maintaining contacts may vary with the size of the network. In comparison, density gives information about how tightly connected people in the network are to each other, the variable was measured as the total number of actual contacts among people in a network divided by the total possible number of relations. Arguably, a high density network implies a high degree of overlapping information as information diffuses rapidly in a high density network. As a result, the redundancy of information may be very high. A network with low density reduces such danger.

Greve's study also explored the importance of 'distance', referred to as the number of relations a focal person has to go through to reach a specific person in a network. Arguably, the closest contacts may not always be able to provide the information or resources required but help could be provided by, for instance, friends of one's own friends, i.e. indirect contacts. A further interesting aspect in Greve's research is the exploration of the background of the network persons and their respective competencies, a topic which has been rarely considered in the literature reviewed here, notable exceptions are Birley (1985). Greve distinguished between two dimensions; one of which related to the social context of the network and hence the types of relations the alters have to ego, examples would be family, friends, work relations. The second dimension referred to the personal characteristics of the network members, an aspect that gives information about the kind of resources they may contribute, in particular in terms of their competencies.

Greve divided the respondents into three groups according to their phase in the establishment process: the first group (34% of the respondents) had ideas and was motivated to set up a business, but had not yet started actual planning or preparation for the business, the second group was in the process of planning and establishing a business (22%), the third group (44%) was running a business that had been established or taken over. The average age of these businesses was 3.8 years, 68% of the sample were female.

Greve's study found that prospective entrepreneurs entertained a much smaller network informed about their early plans than people who are in later phases of the establishing process. There were only few cases where the respondents connected to different clusters through other primary contacts which indicated that knowledge of the network of alters depended on the alters knowing each other somewhat which represents a weak tie. Furthermore the author highlighted that most of the entrepreneurs had small networks with some connections among most of the persons and that knowledge of the network of one's primary network could increase the potential size of one's own network giving access to other clusters. Greve also investigated the professional background of the network members and he grouped the majority of them (78%) in three occupational groups: professionals with an academic education in technological or humanistic subjects (21%), managers in private and public organisations (36%) and the third group were professionals in service occupations (21%). He found significant differences among entrepreneurs in the different phases of the establishment process. Entrepreneurs in phase 3, i.e. those who were running a business, had a higher fraction of managers in their networks and a higher number of different occupational groups among their contacts than the other groups. This implies a network of people with a more direct business-related background than entrepreneurs who were planning their business.

The findings also suggested that there would be a broader resource base within the networks of Phase 3 entrepreneurs which would offer better opportunities to access additional assets. Group 3 had, however, fewer network members with a professional or technical academic background than group 2; where this was the most important occupational background of primary network persons. Greve also found that phase 1 entrepreneurs (i.e. those motivated but without specific plans), focused their network contacts among managers and people with 'other occupations'. In fact, the principal

difference between people in Phases 1 and 3 was that Phase 1 had more people from other occupations and phase 3 had more people with a managerial or vocational background directly relevant to running a business than other phases. As a result, Greve concluded that the occupational background of the network members is more important than the type of relationship alters have to egos. Furthermore, people in later phases of entrepreneurial start-up would have more bridges to alters' networks, which he surmised, indicates that people in later phases have a better knowledge of indirect contacts. The size of the network and time used for networking, having alters as bridges as well as the occupational background of relations to the primary contacts distinguish the three groups of entrepreneurs. People in later phases have larger networks that they use to a greater extent.

Greve recommends that, based on his research, entrepreneurs should have large networks and use much time networking as it is important to belong to a relatively dense cluster where the basis of the relationship is trust and alters may have a variety of professional competencies and connections to third parties, which may be of use to the fledgling entrepreneur. However, the importance of bridges, i.e. weak relations, should not be underestimated given their potential to connect the entrepreneur to other clusters and hence get access to non-redundant information.

3.18 Hite & Hesterly's contribution

Further to earlier theoretical contributions by Butler & Hansen (1991) and Larson & Starr (1993), Hite & Hesterly (2001) theoretically explored the changing nature of ties in the first two phases of the organisational life cycle, i.e. emergence and early growth. The authors put forward the argument that firm networks evolve from close cohesive, identity based to more calculatively-based ties as the firm evolves from emergence to early growth. They focused on these two phases as they were most likely to highlight the differences between networks characterised by embeddedness and cohesion and those rich in structural holes. Following Gartner et al. (1992) and Gartner & Brush (1999), the emergence stage of the firm begins when the organisation is legally created. In comparison, the early growth (also take-off) stage is the point when a firm makes clear strategic decisions to grow beyond survival, viability or sufficiency (Churchill & Lewis 1983). The focus on emergence and early growth, i.e. the early phases in the post-start-up period, distinguishes Hite & Hesterly's work from Butler & Hansen (1991) and Larson & Starr (1993) whose models cover the pre and post start-up.

Hite & Hesterly (2001) argued that firms are confronted with three specific resource acquisition challenges when they move from emergence to early growth, which are related to availability, access and uncertainty. Whereas resource availability is about the firm being able to identify the necessary resources, resource access involves the firm's ability to acquire needed resources. The third condition 'uncertainty' deals with the question of how predictable the environment is in which the firm exists. Besides, Hite & Hesterly include task uncertainty as well as demand and technological uncertainty in their considerations (Gartner et al. 1992). Arguably, these three resource challenges act "as an important catalyst for network evolution" (p. 277).

The authors focus their investigation on the egocentric network of a firm which consists of its set of direct, dyadic ties and the relationships between these ties, with the firm as the focal actor (Powell & Smith Doerr 1994). Hite & Hesterly (2001) suggest that whereas entrepreneurs initially rely heavily on identity-based networks based on personal or social identification with other network members, who are crucial to acquiring resources for the start-up and the survival of the firm in the early stage of the venture (emergence), during the growth phase entrepreneurs are more likely to obtain their resources through calculative networks.

Following Granovetter (1992) and Uzzi (1996), the authors defined identity-based networks as egocentric networks that have a high number of ties with some type of personal or social identification with the other actors which triggers or impacts economic actions (Hite & Hesterly 2001, p. 278). Identity-based networks suggest that the identity of the network ties matters more than the specific economic functions or resources that this particular tie can supply. Such dyadic ties are primarily derived from relationship with family or friends or historically long-held sources, hence these are primarily strong embedded ties within a network that is high in closure and cohesion (Aldrich 1999, Coleman 1990, Hite & Hesterly 2001, Larson & Starr 1993, Walker et al. 1997). One of the disadvantages of this type of network is that it may not have the breadth of resources that a fledgling venture needs to counter the resource challenges in the early growth phase (Hite & Hesterly 2001).

In comparison, networks based on calculatively-based ties may provide better availability to resources and may cope better with uncertain environmental conditions. Hite & Hesterly apply the term 'calculative' to egocentric networks where the focal

actor's ties are primarily encouraged by expected economic benefits. The authors conclude that the main features of such networks are "a greater majority of weak ties that are more market-like than socially embedded and are more likely to be less redundant, more sparse, and better able to bridge structural holes" (p. 278).

Hite & Hesterly (2001) present three dimensions to the shift from identity-based to calculative networks. First, the shift from identity-based to calculative networks is accompanied by a change from a network with primarily embedded ties to one with a greater balance between embedded and non-embedded connections. Drawing on Granovetter's (1985) work which advocates that embeddedness exists when the social dimension of a tie influences the economic activities of the firm, Hite & Hesterly conclude that interaction between ties is grounded in personal relationships, social capital or the history of dyadic interactions. Embedded ties are more important in the earlier stages of the firm as they may assist the venture in overcoming certain resource-based challenges and support from these ties may continue despite a new firm's lack of legitimacy and overall liability of newness (Stinchcombe 1965), yet when the firm moves into the early growth phase embedded network ties are less likely to provide the resources that are needed to support the growth of the firm (Hite & Hesterly 2001). As a result, a firm would seek to develop arm's length ties which hold the potential to provide new resources. Arm's length ties are defined as ties working without any prolonged human or social contact between parties (Hirschman 1982, Hite & Hesterly 2001). Such ties would be more inclined to provide assistance as emerging firms in early growth have a better track record of performance and offer decreased uncertainty yet Hite & Hesterly warn, however, against both an over-reliance on either type of ties. Instead, the emerging firm should seek a balance between both types. In fact, there may be a possibility that such arm's length ties may be transformed into embedded relationships as they take on social dimensions. In particular, the latter point is very similar to Larson & Starr's (1993) model that suggested in stage II a shift from one-dimensional exchange processes to two dimensional exchanges, i.e. network dyads which started as either social/affective or economic/instrumental ties get transformed into socioeconomic exchanges.

The second dimension of the change from identity-based to calculative networks encompasses the shift from a cohesive network to one that includes bridges over structural holes. Hite & Hesterly argue that during the emergence stage a company

enjoys certain access advantages as its ties share membership in a closed cohesive network. Following Portes & Sensenbrenner (1993), such networks offer assistance that is built on mutual identification, a sense of social obligation and 'enforceable trust'. In particular the latter aspect is key as enforceable trust is generally seen as responsible for lowering the risk of engaging with an emerging firm. In a closed and cohesive network an emerging firm would face certain sanctions from other network members if it broke certain rules or norms. Yet, cohesive networks are not without any disadvantages. One of the key problems with such networks is the limited resources inherent in the ties as well as possible information redundancy and a lack of diversity (Hite & Hesterly 2001). Adding new non-embedded ties reduces cohesion and helps firms bridge structural holes, which may give the emerging firm access to new resources.

The third dimension of the shift from identity-based to calculative networks is the development from path dependence for emerging firms to intentionally managed networks for early-growth firms (Hite & Hesterly 2001). This dimension is basically about the entrepreneur's ability to manage and, to some extent, manipulate the egocentric network. Hite & Hesterly (2001) underline that researchers are undecided as to whether the entrepreneur proactively and intentionally creates, adapts and controls a network (Dyer & Singh 1998, Rowley et al. 2000) or whether network change is path dependent as there are exogenous factors that are outside the control of the entrepreneur such as chance and prior history (Larson & Starr 1993). For Hite & Hesterly networks may be a combination of both. At this stage resource acquisition may be limited to historic and path-dependent network avenues, yet with increasing reputation and legitimacy the firm will be in a position to "intentionally manage its network and move beyond the initial, core network" (Hite & Hesterly 2001, p. 282). As a result the development of the firm's network will be dominated by path-dependent processes during emergence, yet later change to a more intentional network management in early growth.

Hite & Hesterly (2001) conclude that the key proposition of their model of network evolution is that approaches that build upon the advantages of cohesive networks and those that emphasise the need for bridges over structural holes are, in fact, complementary. Each network type strategically serves the new firm during different strategic contexts and increases its ability to actively manage its external network.

However, over-reliance on the familiar relational governance strategies may even put the entrepreneurial venture at risk as networks built on close, identity based ties tend to be smaller, less diverse and more path dependent than calculative networks (Hite & Hesterly 2001). Hence it becomes imperative that an entrepreneur understands the characteristics and potential evolution of relationally embedded ties (Hite 2004, Hite & Hesterly 2001, Larson & Starr 1993) and seeks ways of managing these. Whereas Leung (2003) appraises Hite & Hesterly's model as "an insightful conceptual framework on how firms progress from reliance on embedded, identity-based social ties to the use of calculative, economic exchange-based business ties to secure resources" (p. 304), he criticises that the model does not consider the different types of resources accessed through different network members.

Hite follows up this initial work on embedded ties with further publications such as Hite (2003) and Hite (2004) where she develops different types of relational embeddedness. As this research does, however, not relate to the different phases of the entrepreneurial venture, no further consideration will be given here.

As I mentioned earlier, the key difference between Hite & Hesterly's model and the models presented by Butler & Hansen (1991) and Larson & Starr (1993) is the fact that it focuses only on the post-start phases emergence and early growth whereas the earlier models refer both to the pre-and post start phases. Hite & Hesterly theoretically outline the development of the firm's network from the emergence to the early growth phase in the post-start up period on three levels and argue that the shift from identity based to more calculative networks becomes apparent in the evolution of the firms networks. Although Larson & Starr's (1993) earlier work did not go into the same level of detail as Hite & Hesterly, it suggested a change from dyadic ties to socio-economic exchange in Phase II, which is similar to the hybrid network that emerges in Butler & Hansen's (1991) second phase 'business start-up'. Hence, despite the fact that Hite & Hesterly's work refers to the post-start phase, all three theoretical contributions agree that the network undergoes some change from the first to the second phase, pre or post start-up and all three contributions emphasise the emerging mix of close, embedded ties (family, friends) and non-embedded, arm's length business ties of a calculative nature. Hite & Hesterly's model is, however, the only contribution that explicitly refers to the advantages derived from bridges that can span structural holes. Moreover the authors' contribution adds to the existing literature as it highlights the shift from a path-

dependent to a more intentionally managed network and points out the possibility of a network being both cohesive and sparse, yet conducive to finding the necessary resources for the firm's development in the different stages of the life cycle.

3.19 Schutjens & Stam's work in the Netherlands

Schutjens & Stam (2003) are among the more recent, in-depth studies of entrepreneurial network dynamics. In a critical review of the literature the authors confirm the importance of both Larson & Starr's (1993) and Butler & Hansen (1991)'s model as being among the few attempts to treat the network in a longitudinal perspective, yet their main criticism aims at the models being ideal types and they doubt that in practice all of these stages can be reached. As Schutjens & Stam (2003) critically comment, most of the studies have operationalised the life course of new firms by growth, a finding I emphasised in the first part of this Chapter. There are, however, few studies that have endeavoured to explore the variation of networks over time, the source of relationships or the importance of spatial proximity to business relationships. The authors use Butler & Hansen (1991) network model for their own research.

In detail, the authors explored the link between entrepreneurial networking and the different phases of the entrepreneurial venture in three Dutch regions over a 5 year period. They were particularly interested in the evolution of networks during the first three years after start-up, investigating how and to what extent young firm networks changed within this time. They included both temporal change and spatial variation in their analysis. Their network definition focussed on "the main business relationships with respect to sales, supply, outsourcing and cooperation" (p. 116), with the nature of these relationships being specified by type, number, source and location. On the basis of this definition they distinguished between several network types: sales relationships (market space), relationships with suppliers and contractors (production space) and cooperation with other firms in the field of marketing sales, supply and innovation (supporting space).

The researchers were particular interested in the a) variation and number of relationships, b) the source of relationships (from social to business) over time and c) the importance of spatial proximity over time. The first variable explored a possible connection between the size of a firm and the network type used and the authors followed earlier arguments by Fritsch & Lukas (1999) who suggested that the size of

the firm has an impact on the level of cooperation which implies that larger establishments would be more likely to collaborate than smaller ones. Consideration was also given to the level of innovation and how it would affect contacts in line with earlier work by Johannisson (1996) and Fritsch & Lukas (1999). In addition, the study took research by Donckels & Lambrecht (1995) and Johannisson (1996) as a starting point who had suggested that highly educated entrepreneurs of small firms would have a greater variety of networks than entrepreneurs with a low level of education. In addition, Schutjens & Stam investigated a possible influence of different industry types, i.e. manufacturing and services, as, for instance, Johannisson (1996) had suggested that in the manufacturing industry personal networking would be less important than in the services sector. Further attention was also given to possible gender effects and aspects of location as determining variables on network dynamics and resulting network types. In particular, the latter aspect was important as the authors argued that earlier research had suggested that regional contexts and aspects of proximity could affect network development.

For the purpose of their research Schutjens & Stam established a Young Firms Panel consisting of 313 manufacturing and business services firms that had started to operate between June and September 1995 in three Dutch regions (Greater Amsterdam, the Province of Groningen and the Twente-Salland region). The majority of firms employed less than 5 people, the largest firm had 18 employees. The entrepreneurs were followed closely for a period of five years. The sample came from new subscriptions in the register of the Chambers of Commerce. The researchers used telephone interviews using questionnaires that were adapted to the particular situation of each entrepreneur. However, only half of the firms surveyed at the start of the project in 1995 were still active in 1999, the majority of whose (149 out of 158 firms) had less than five employees. The focus of the research was companies in their third year of operation.

The researchers found that the number of different types of business relationships increased over time. The network of young firms tended to grow from a sales orientated relationship to a combination of different types of relationships. Young firms seemed to focus on a smaller number of customers; due to specialisation they had become more selective and tended to narrow their market. The research also suggested that most firms had more than one type of business relationship and the type most often

mentioned was the sales relationship. The largest group had two different types of business relationships. Sales and commercial relationships were increasingly intertwined with social aspects, which was contrary to what the researchers had initially expected. The same did not apply to supplier, outsourcing and cooperative relationships where the most important change was rather from having no relationship at all to having a commercial one. As a result, upstream contacts become increasingly commercial over time and downstream contacts become more and more social. Furthermore outsourcing was more common than supply relationships.

In addition, industry type significantly affected the variation in types of business relationships as manufacturing firms had relatively more types of business relationships than business service firms. There was, however, no evidence that more highly educated entrepreneurs would have a greater variety of business relationships than entrepreneurs with lower educational levels, nor did the findings suggest that large firms had more cooperative relationships than smaller firms. However, innovative firms seemed to have more cooperative than non-innovative ones relationships.

Furthermore, most of the firms with regional sales relationships in the first year remained regionally orientated whilst those with extra-regional sales in their first year did not change their geographical orientation. In fact, the longitudinal analysis of the data suggested a decreasing geographical scope as extra-regional relationships were losing ground to intra-regional relationships over time in all four business relationships. The study also found that highly educated entrepreneurs were relatively strongly oriented outside the region for all business relationships. In general, the researchers concluded that the variation in types of business relationships was rather limited three years after start-up, few had three or more main customers, suppliers or outsourcing relationships.

Contrary to what the researchers had expected, the cooperative behaviour of urban firms did not differ significantly from their rural counterparts. The research found, however, that there were some interesting gender specific differences as gender seemed to matter in cooperative relationships; male entrepreneurs tended to have cooperative relationships more often than female entrepreneurs.

Schutjens & Stam concluded that the shift from social to business contacts over time, as the literature suggests, only applies to outsourcing, supplier and cooperative relationships. The variation in types of business relationships appeared rather limited three years after start-up and there was only a very small number of firms that cooperated with other firms on outsourcing, R&D, marketing and sales. The authors also emphasised that networks of young firms must be understood in a spatial and temporal context and that both aspects are key in the early stages of a firm.

Schutjen's & Stam's research is probably one of the most comprehensive investigations of entrepreneurial network dynamics, investigated from a longitudinal perspective, in a non US context. Using Butler & Hansen's model for its in-depth investigation, the researchers focussed upon the three year period **after** the actual start-up, i.e. the establishment phase. Since this study investigates entrepreneurial network dynamics at the pre-organisation stage, I suggest that the value of this research lies in its in-depth analysis of a large number of variables that can possibly affect entrepreneurial network development. Thus the findings will certainly serve as a reference point for this study, yet it is important to bear in mind that the findings themselves relate to the post-start-up period which is different from this research.

3.20 Entrepreneurial network dynamics within an international context

Greve & Salaff (2003) report on the findings from one of the few cross-national studies on entrepreneurial network activities throughout the different phases of establishing a business. Focus was on four countries: Italy, Norway, Sweden and the USA. Similar to Greve (1995), the authors studied the use of social relations throughout the business establishment process, but they extended earlier work by linking the concept of social capital and social network theory. With reference to Burt (1992), Greve & Salaff suggested that the contacts that led to successful entrepreneurial outcomes were the social capital of the entrepreneur and that they were key elements of entrepreneurial networks. Entrepreneurs need resources such as information, capital and skills which they may find in and through their contacts. The authors followed Gabbay & Leenders' (1999) definition of social capital as the set of tangible or virtual resources that accrue to actors through the social structure facilitating the attainment of the actors' goals.

Similar to Greve (1995), the authors applied Wilken's phase model (1979) which identified the three phases of motivation, planning and establishment phase in the life cycle of a firm. Whereas in the motivation phase entrepreneurs engage in discussions about the initial idea and develop their business concept, the planning phase is about preparing to set up a firm, i.e. getting the necessary knowledge and resources. In the last phase entrepreneurs establish and run a venture, their focus is on the daily running of the company, exchanges and problem solving. Clearly, phases are not equivalent and entrepreneurship may not progress through each phase equally. In fact, the borders from one phase to another may be blurred and the distinction between the phases may not be automatic (Greve 1995). Greve & Salaff modify this model to subdivide the third phase (establishment) into 'establishment' and 'taking over a firm'. The latter distinction was important as the authors aimed to investigate possible differences between novice and multiple entrepreneurs, i.e. those in their first business venture versus those with experiences in establishing and running firms. Similar to other research discussed earlier in this Chapter, Greve & Salaff's phases model was developed from the literature, yet in contrast to the research discussed earlier the authors asked the participants to self-define the phases they were in and indicate the length of time they had been running a business. They did, however, not ask the respondents to indicate how long they had been in these phases.

Greve & Salaff investigated a number of dependent variables such as the size of the entrepreneurial network and in particular the discussion network size, which is a subset of the network. They followed Renzulli et al's (2000) definition which suggested that the discussion network size is about the number of people that the entrepreneur may turn to when (s)he wants to discuss aspects related to the establishing and running a business. Thus Greve & Salaff (2003) limited their focus to the discussion partners of the entrepreneur, and did not include the complete entrepreneurial action set in their research. Furthermore the authors explored the use of time, i.e. time spent developing/maintaining ties in the different phases. In detail, they established a number of hypotheses relating to the time spent developing discussion networks and maintaining ties throughout the different phases.

As Greve & Salaff emphasised, few researchers have explored the role of family in the networks of those starting businesses. Hence they focused on the proportion of family members in the different phases of the entrepreneurial start-up and developed a number

of hypotheses that related the family background, i.e. an entrepreneur having self-employed parents, to the use of contacts in the network. The independent variable was the phase of the entrepreneurial venture as identified by the interview participant.

As mentioned earlier, this study emerged from a larger international research project that focused on the structural underpinnings of entrepreneurship. The researchers used lists of applicants to training programmes for nascent entrepreneurs which gave them access to people who had not yet started their own company. This data was complemented with information from membership lists of associations of newly founded businesses. A network questionnaire was employed to collect information from entrepreneurs in four countries, the questions were translated into the respective languages. All network questions related to the previous six months of business establishment activities. The authors focussed on an egocentric network analysis and asked for the five most important connections of the entrepreneur, a technique already employed by Aldrich et al. (1989). They developed regression models and conducted separate ANOVA analysis for each phase and each country concerned.

The study found that there were significant country differences in discussion network size. In sum, US respondents had the largest network, followed by Swedish and Italian respondents and Norwegians had the smallest network. The data also indicated that the number of years the entrepreneurs had been running a business and their age did not impact upon the size of the network. The researchers did not identify any correlation between somebody having self-employed parents and the discussion network size. However, discussion networks with a large percentage of family members were significantly smaller in size. Furthermore the study found evidence that entrepreneurs would spend more time developing networks during phase 2 (planning) than in the other phases. Examining the data across the four countries, the authors found that Italians spent significantly more and Norwegians significantly less time developing and maintaining relations than the Swedish and US interview partners.

As already mentioned earlier, Greve & Salaff's research also investigated the role of family in the discussion networks across the different phases. Their initial hypothesis that entrepreneurs would use a larger proportion of family during the first phase than in later phases of the business start-up was, however, not supported. The data suggested, however, that female entrepreneurs would have marginally more family in their

networks than male entrepreneurs and they found a strong correlation between female entrepreneurs and having self-employed parents.

Investigating the role of family across the different phases and in the four countries Greve & Salaff's data indicated that American entrepreneurs would have a lower percentage of kin in their discussion networks than the other countries in all phases. Whereas Norwegian and Italian entrepreneurs who had taken over a firm had a very high percentage of family members in their discussion network (50% and 57% respectively), Swedish and American counter parts scored very low (28% and 6% respectively). One of the reasons the researchers put forward to explain these results were the closed nature of Italian and Norwegian networks.

In conclusion, this study found that in phase 1, entrepreneurs limit their discussions to the closest relations and indeed this was the smallest network with the least time dedicated to developing the network. In the second phase the researchers identified the largest network with the most time dedicated to developing the network. In phase three the social network size was reduced again to include the most important helpful members, yet the entrepreneur spent less time on networking than in phase 2, but more than in phase one.

Greve and Salaff's study and its findings are important to this research and serve as a reference point due to its application of Wilken's phases model within an entrepreneurial context. The researchers actively sought the opinion of the entrepreneur on the different phases. The role of family during the establishment phase was also explored which is of interest for this research (see Chapter 7) and the research provided a valuable insight into the size of the network throughout the different phases, an issue I further investigated in Chapter 6.

3.21 Entrepreneurial network dynamics and recruitment practice in Singapore

Slightly different in its focus, yet still investigating the dynamics of entrepreneurial networks Leung (2003) explores the possible reasons why entrepreneurial firms may use certain network ties to facilitate the acquisition of their core management team members during the start-up and growth phases of their organisational cycles. Leung uses Churchill & Lewis (1983) and Flamholtz (1995) small firm growth models as a

reference point. Whereas the start-up phase comprises the initial two to three stages of the firm's life cycle and issues of survival, in the growth phase firms develop a clearer strategic direction for future growth. Drawing on Hite & Hesterly's (2001) model (see section 3.18), Leung develops a dynamic person-organisation fit perspective that forms a conceptual framework to explore the evolution of the recruitment practices of entrepreneurial firms. In-depth, semi-structured interviews with four entrepreneurial firms in Singapore are the basis of the research. These four companies employ between 40 and 400 people, with sales revenues from US \$ 2.8m to 34m in 2001. All firms entered their growth phase in the 1990s. The cases were drawn from different industries: one came from the food industry, two from the electronic related industries and one from the hobby industry.

Leung's study confirmed resource constraints and organisational legitimacy as key issues throughout the different phases of the entrepreneurial venture. Whereas in the start-up phase entrepreneurs relied mainly on their personal social network, i.e. family members, in recruiting their core team members, the firm's business network became the primary source for searching for key personnel during the growth phase, which would be in line with Hite & Hesterly's original model. Such calculative ties (i.e. weak ties) are predominantly based on economic exchange and functional work roles rather than being embedded in social relationships. Leung points out, however, that entrepreneurs may have no other choice than to hire from their social circle in the start-up stage due to a lack of resources and a high uncertainty of the firm's future.

The research has highlighted the importance of the person-organisation fit for the different developmental stages of the entrepreneurial venture. Leung (2003) advocated that a cohesive team with similar backgrounds and similar values is essential in the start-up phase. However, with the growth of the firm the business focus is set on long-term, sustainable growth and the entrepreneur would seek talents with more diverse competencies to manage the firm in transition and to support future growth. As a result, Leung concluded that the "person-organisation fit is not a static, one-dimensional concept of value and goal congruence", as often argued, "but a more complex multi-dimensional concept that evolves with the changing needs of the organisation at different points in time (p. 317). Leung's work contributed to the literature on entrepreneurial network development as it confirmed empirically Hite & Hesterly's (2001) model and it introduced for the first time the importance of entrepreneurial teams

in this particular literature. His work is also important as, different from the other research, it explored the subject of entrepreneurial networks in a qualitative approach. The author chose cases studies as the most appropriate method to explore the different aims and objectives of his research in more detail.

3.22 Conclusion

Having reviewed the literature that has focussed on entrepreneurial network dynamics in the different phases of the entrepreneurial venture, I will now identify the different gaps highlighted by the literature review.

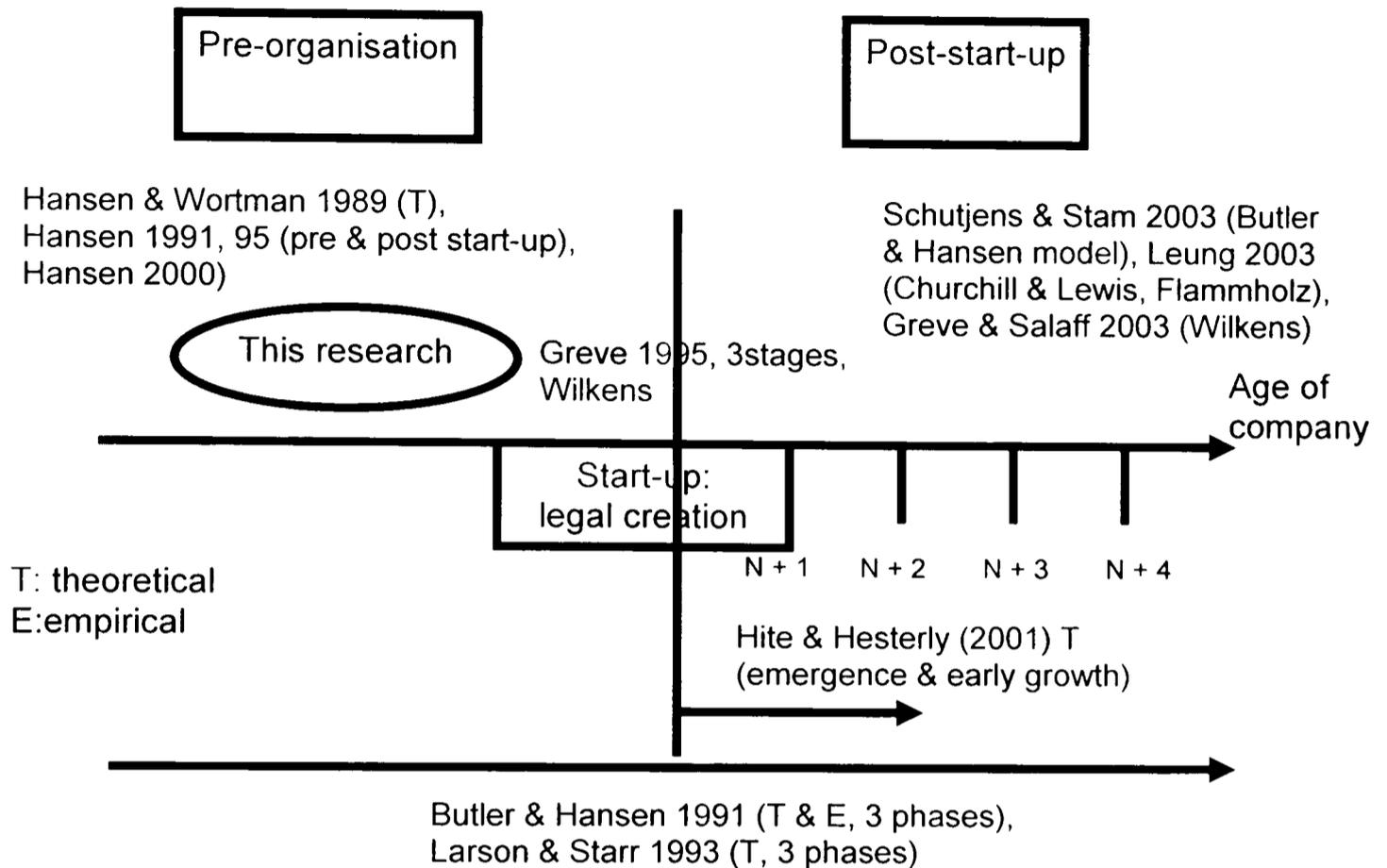
Figure 3.1 shows the positioning of the literature reviewed with focus on entrepreneurial network dynamics in the different phases of the entrepreneurial venture. From the graphical display we can easily deduce that the existing literature makes three types of contributions: a) theoretical contributions such as by Butler & Hansen (1991), Larson & Starr (1993), Hite & Hesterly (2001) and Wortman & Hansen (1989); b) empirical contributions that focus on the post-start-up phase such as Leung (2003), Schutjens & Stam (2003) and c) empirical contributions that focus on the pre-organisation level such as Hansen (1991, 95), Greve (1995), with the latter covering both the pre-and post-start-up phase. In addition, Leung (2003) is the only author who takes a qualitative case study approach which contrasts with a predominantly quantitative perspective despite semi-structured interviews in the case of Greve (1995). Furthermore, Greve & Salaff's (2003) research is the only study that takes a cross-national approach comparing and contrasting data from the US, Sweden, Norway and Italy. This positioning of the existing literature in the field of entrepreneurial network dynamics has highlighted that there is certainly a need for more European research on the pre-organisation stage, which opens up interesting avenues for this study.

There are, however, further conclusions that can be drawn from Figure 3.2. Firstly, the research on entrepreneurial dynamics has been dominated by American researchers, with the occasional contribution from Scandinavia (Greve 1995) or the Netherlands (Schutjens & Stam 2003). There is a clear lack of European studies exploring the development of the entrepreneurial network in the different stages of the entrepreneurial start-up. Hence I suggest that a study that explores the dynamics of entrepreneurial networks in the different stages of the entrepreneurial start-up within a French context can contribute considerably to existing knowledge.

Secondly, the literature review has shown that the majority of researchers rely on a phases' model (ranging from three to five phases) of the entrepreneurial network development. There is a group of researchers who base their research on the phases' models developed by Churchill and Lewis (1983), Flammholz (1985) or Wilken's (1979), which all three are life cycle models that refer to the small business context but not specifically to entrepreneurial ventures at the pre-organisation stage. By using already existing phases models from a small business context the researchers tend to impose a structure upon the entrepreneurial venture assuming that it will reflect the entrepreneurial reality. Researchers such as Butler & Hansen (1991) and Larson & Starr (1992) suggested their own phases' model, but only the former was tested formally. Butler & Hansen's model is of particular interest as it covers the pre- and post start-up phases and it is probably the most conceptually developed model. One of the biggest problems with Birley's (1985)'s work is that she refers to the early stages of the business, yet never gives a name to these phases. Hence the research remains, to some extent, vague although its main merit lies in its pioneering contribution to the entrepreneurial network literature. Greve & Salaff (2003) were the only authors who asked the entrepreneur to identify the phases specific to his/her venture.

This research follows in the footsteps of the latter researchers following an inductive approach, asking the entrepreneur/s to identify the different phases of the entrepreneurial start-up, the different activities that take place in these phases and the individuals involved. My judgement is that this approach would lead to a better understanding of the phases the entrepreneurial venture goes through prior to start-up.

Figure 3.2: Entrepreneurial network dynamics in the different phases



Thirdly, even though some models such as that developed by Butler & Hansen (1991) include a pre-start dimension, the actual research has not necessarily focused on this phase but rather on the establishment phase, see for instance Schutjens & Stam (2003). This again underlines the need for further empirical exploration of pre-start activities and I argue that this research fills a gap in the literature with its exploration of entrepreneurial networks at the pre-organisation stage.

Fourth, there appears to be little or no consensus with regard to the terminology used for the different phases. Hence the associated activities are not necessarily the same making the comparison between the different types of research very difficult.

Fifth, the literature review highlights variables that could be measured quantitatively such as network size, network centrality and time used for networking in different phases. Few studies have inquired into the different types of industries, the professional background of the entrepreneur or the gender, a notable exception is Schutjens & Stam

(2003) and even fewer have taken a qualitative approach, a notable exception is Leung (2003). As Jack (2005) concludes, the emphasis of the literature has been on measuring the extent and range of contacts within a network as well as the actual structure of a network. I argue this research which is based on a qualitative case study approach offers potential to contribute to the knowledge in a way not before achieved.

Sixth, the literature review highlights a further gap related to entrepreneurial venture teams. Leung (2003) comments upon this and his research emphasises the importance of the person-organisation fit for the different developmental stages of the entrepreneurial venture. In fact, he argues that a cohesive team with similar backgrounds and similar values is essential in the start-up phase. This is certainly an area that I believe has, to date, been neglected in entrepreneurial network research. As seven out of the thirteen cases in this research (see Chapter 5) are team foundations it is expected that the research will throw light on the importance of the different co-founders from an entrepreneurial network point of view.

Seventh, whereas the research reviewed here has certainly been indicative of the different ties that are involved in the different phases of the young venture giving information about the structural dimension of social capital, there is little or no qualitative information available as to Why the entrepreneur involves these individuals in the different stages and what they bring to the entrepreneurial venture. In fact, existing research does not measure the content and the quality of the ties nor explore the multiplexity of the ties in detail. Instead, researchers such as Greve 1995, Greve & Salaff (2003) and Schutjens & Stam (2003) use statistical methods to explore different variables such as size, density, time associated with entrepreneurial networks. I argue that the quantitative side of entrepreneurial network dynamics fails to pick up on the softer qualitative aspects inherent in the changing nature of the entrepreneurial networks throughout the different phases, an argument in line with Witt (2004) who critically commented that one limitation of all network research derives from the fact that empirical studies employ quantitative measures to obtain information which is essentially qualitative and cumulative in nature. As this research is of a qualitative nature combining semi-structured interviews and repertory grids there is potential to address the limitations of earlier research.

Eighth, I identified the paucity of research with an international focus with the possible exception of Greve & Salaff (2003) which compares entrepreneurial network dynamics across four countries. This research examines entrepreneurial networks of former French Grande Ecole management graduates and contributes significantly to the existing literature by providing information about entrepreneurial networking in a French context, a topic that has to date been underdeveloped and under-researched.

Ninth, following Schutjens & Stam (2003) the extant literature on entrepreneurial network dynamics has so far failed to consider entrepreneurial network development from a longitudinal perspective. This aspect is an important one and I asked the entrepreneurs for their perception of the different phases of the entrepreneurial venture, which provided me with a longitudinal view of entrepreneurial network dynamics in the different phases. In addition, one of the cases was of a longitudinal nature where I was able to follow the entrepreneurs over a period of 15 months until the company was eventually created in April 2007 (case of P & G).

This Chapter has in many ways provided the structural foundation for the study. It has argued that the social capital theory to be explored in the next Chapter (Chapter 4) offers great potential for an in-depth inquiry into the relational and cognitive dimension of entrepreneurial networks, which links back to the objectives set out in Chapter 1.

Chapter 4: Social capital in entrepreneurship research

4.1 Introduction

The preceding Chapter presented the review of the literature on entrepreneurial network dynamics and underlined the novelty of this research by highlighting the gaps in the literature this research aims to address. This Chapter introduces social capital theory which in many ways drives this research and guides the analysis. Entrepreneurial network literature and social capital theory are interrelated and authors such as van der Merwe et al. (2004) have highlighted the close relationship between the two arguing that the latter is concerned with the “intrinsic value of network structures” (p.13). Social capital theory is about the ability of actors to extract benefits from their social structures, networks and membership (Davidsson & Honig 2003, Lin et al. 1981, Portes 1998), which is similar to Tsai & Ghoshal (1998) who stated that social capital is a concept “rooted in the structure and content” of relationships.

This Chapter consists of two parts: in the first part I focus on the existing knowledge of social capital and I highlight the positioning of this research. In the second part I provide a more specific overview of existing research that has explored the link between social capital and entrepreneurial networks. I conclude this Chapter highlighting the contribution this research makes to the extant literature.

4.2 Early beginnings

Social capital has become a buzzword among politicians and academic audiences (Halpern 2003). As Lee & Jones (2006) noted, the concept is rooted in many different fields and gets increasingly applied in disciplines such as sociology, education, politics, economics as well as business and management. Policymakers also find the concept attractive as it reflects the political Zeitgeist of our times with its combination of economic and social imperatives, as Halpern (2003) observes “the use of the term echoes the political revival of centre left parties during the mid 1990s across the Western world” (p. 2). The growing attention to the concept of social capital has, however, not been without critique as it has been suggested that social capital is an “intellectual sound bite largely devoid of meaning” (Halpern 2003, p. 13).

Halpern (2003) traced the early theoretical precursors of the concept of social capital to the work of the early founding fathers of contemporary social sciences such as Adam Smith, de Tocqueville and Durkheim and even Aristotle. In the 18th century Adam

Smith emphasised the importance of mutual sympathy, networks and values in the sustaining of markets and de Tocqueville argued in favour of associational life as it may act as a counterbalance to the dangers of individualism (Halpern 2003). In comparison, Durkheim observed that the behaviour of individuals needs to be understood in conjunction with the characteristics of the community and the relationships found therein. The latter found that societies with high levels of social cohesion and solidarity seemed to be more apt at protecting their members from suicide through ‘mutual moral support’ as the collective energy and support found in these societies would assist the individual in difficult times. The earliest specific use of the term social capital was by Hanifan (1920) when he referred to “those tangible assets (that) count for most in the daily lives of people: namely good will, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit” (1920, p. 78) (Hanifan 1920, read in Halpern 2003).

4.3 Definitions of social capital

4.3.1 Focus on Bourdieu

Bourdieu (1983) initially distinguished between three different types of capital: Economic, cultural and social. Economic capital is immediately and directly exchangeable into money and may be expressed as property rights. In comparison, cultural capital is “institutionalised in the forms of educational qualifications” (Bourdieu 1983, p. 243) and can be converted into economic capital. Cultural capital is accumulated and transmitted through the family and education system (Bourdieu 1996, Gunn 2005) and is an integral part of the family legacy. It is represented “in the ‘objectivated’ state of cultural goods, the transmission of houses, books and antique furniture, or in the ‘institutionalised’ state represented by the expectation of high educational qualifications” (Gunn 2005, p. 54). I will come back to the notion of cultural capital in Chapter 11.

The third type of capital is social capital of which Pierre Bourdieu probably supplied the first systematic analysis (Portes 1998) when he defined it as “*the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition*” (Bourdieu 1983/5 p. 248). Following Portes (1998), Bourdieu’s analysis is probably the “most theoretically refined among those that introduced the term in contemporary sociological discourse” (1995, p.3). Bourdieu linked five aspects together: resources,

networks, institutions and relationships and mutual recognition. He later modified this definition when he and Wacquant (1992) suggested: *Social capital is the sum of the resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance or recognition. Acknowledging that capital can take a variety of forms is indispensable to explain the structure and dynamics of differentiated societies*” (p. 119). The first part of the definition equals the earlier 1985 version, yet Bourdieu & Wacquant added the two ideas, i.e. social capital exists both at individual or group level and it has an important role to play in the different structure and dynamics of societies. Unfortunately, as the occasional author such as Schuller et al. (2000) has commented, Bourdieu’s work was acknowledged very late by the academic community, primarily due to the fact that it was written in French, yet his work was crucial in establishing social capital as a field of study in the academic research community.

At about the same time as Bourdieu, the American sociologist James Coleman started publishing about social capital and it seems most likely that both men collaborated with each other (Halpern 2003). One of Coleman’s contributions stems from successfully combining the insights of both sociology and economics when he focussed on the relationship between educational achievement and social inequality (Schuller et al. 2000). A second major contribution lies in Coleman’s “relatively straightforward sketch of the concept” (Schuller et al. 2000, p. 6) when he suggested: *“Social capital is defined by its function. It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors – whether persons or corporate actors – within that structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible* (Coleman 1988, p. 96). Coleman’s definition embraces macro-level cultural norms which may assist in cooperative action. Thus similar to Bourdieu, Coleman underlined the importance of social structure and its enabling influence on a person or a firm. He later modified this definition by placing it more clearly in the educational context and he offered the following refinement: *“social capital is the set of resources that inhere in family relations and in community social organisation and that are useful for the cognitive or social development of a child or young person* (Coleman 1994, p. 400). For Coleman social relations constituted “useful capital resources for actors through processes such as establishing obligations, expectations and trustworthiness, creating channels for

information, and setting norms backed by efficient sanctions (1988, pp. 103-4). Similar to Bourdieu (1985) and Bourdieu & Wacquant (1992), Coleman picked up on the importance of resources inherent in relationships, in particular in the family and in the community; i.e. at micro and macro level. Coleman went a step further, however, by explicitly including aspects of social capital such as obligations, expectation and trustworthiness as well as norms that are supported by sanctions.

Comparing Bourdieu's and Coleman's work we can see that both academics share a concern for social capital as a source of educational advantage, yet despite these similarities Schuller et al. (2000) pointed out that they did not acknowledge each other's work despite some occasional collaboration. One of the key differences between the two researchers was the question of intentionality as Coleman saw the creation of social capital as a primarily unintentional process which differs from Bourdieu's interpretation. In Coleman's view social capital embraces the social relationships of non-elite groups which contrasts with Bourdieu who was very interested in how elite groups used their contacts to reproduce certain privileges. The question of intentionality and creating/managing a network purposively and calculatively was important for this study and will find further consideration in Chapter 6. Furthermore this research focuses on entrepreneurial networks of Anciens from an elite Grande Ecole and I thus argue that the focus on Bourdieu's work is justified.

4.3.2 Further definitions

Bourdieu (1983) & Bourdieu & Wacquant's (1992) definitions of social capital are, however, only two among many others. In a comprehensive analysis of the different definitions available Adler & Kwon (2002) concluded that definitions are broadly similar, yet differ in important details, which is similar to Halpern (2002) who suggested that "significant differences exist in the form and emphasis of the different definitions offered" (p. 10). Many of the definitions proposed by researchers contain, however, similar to Bourdieu (1985) and Bourdieu & Wacquant (1992), a resource dimension. Nahapiet & Ghoshal (1998), for instance, prefer a resource-based view defining social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (p. 243). The authors concluded that social capital is fundamentally concerned with resources located within structures, but also in processes

of social exchange. This definition is important as the authors emphasise the distinction between social capital at either individual or group level.

In comparison, Portes (1998) decomposed social capital into the social relationship itself that allows individuals access to resources possessed by their associates and the amount and quality of those resources. Portes added value to the range of definitions by emphasising both amount and the quality of the resources under consideration. Lin's (2001) definition is consistent with these scholars as she stated that social capital consists of "resources embedded in a social structure, which are accessed and /or mobilised in purposive action" (p. 12). There are two key aspects we can derive from this definition: first, resources are embedded in social relations rather than in an individual. As a result, the properties of the network and an actor's position are more important than the actor himself. Second, access and use of resources are of little use if the actor is not aware of their presence. Baron & Markman (2003, p. 107) added to the discussion by defining social capital as "the actual and potential resources individuals obtain from knowing others, being part of a social network with them, or merely from being known to them and having a good reputation". Similar to Bourdieu (1985) and Bourdieu & Wacquant (1992) they emphasised the importance of resources inherent in the network, yet they added the idea of having a good reputation as a key factor for obtaining these resources.

From this discussion we can conclude that resources are indeed an integral element of the definition of social capital and in particular the resources, tangible and intangible, the entrepreneur can access through his network are key to this study, which is also in line with the objectives pursued by this study. The investigation of the relational dimension of social capital in Chapters 7-9 will shed light on this aspect.

4.4 The three dimensions of social capital and embeddedness

Nahapiet & Ghoshal's (1998) identified three different dimensions of social capital: structural, relational and cognitive. Drawing on Burt (1992), the authors defined the structural dimension as the "overall pattern of connections between actors – that is, who you reach and how you reach them" (p. 244). Similarly, Steier (2001, p. 262) suggested that this dimension is about "the overall configuration of the network or pattern of connections between actors" (Steier 2001. p. 262). This contrasts with the relational dimension which refers to "actual relationship or bonds between actors that enable them

to make claims on one another (Steier 2001, p. 262). Nahapiet & Ghoshal's (1998) added a third dimension, which they labelled cognitive capital, which is characterised by "shared systems of meanings among actors" (Steier 2001, p. 262).

Arguably, there is a link between the different dimensions of social capital and Granovetter's embeddedness approach (Granovetter 1973, 1985), which is one of the key concepts in social network theory and Nahapiet & Ghoshal (1998) suggested that the former represents a further development of the latter. The structural dimension of social capital is closely related to the concept of structural embeddedness which Granovetter (1992) defined as the extent to which a "dyad's mutual contacts are connected to one another" (p. 35). It is about the impact the structure of relations can have on an actor's tendency to cooperate with others. As a result, "structural embeddedness is about the properties of the social system and of the network of relations as a whole" (Nahapiet & Ghoshal, p. 244); it describes the impersonal configuration of linkages between people or units. As Burt (1992) critically underlined, however, more structural embeddedness in a network and more information each player has about all the other players will possibly lead to greater constraints on each player's behaviour. Conversely, Jones, Hesterly & Borgatti (1997) emphasised that structural embeddedness provides superior information about with whom to exchange and whom to avoid. In line with Granovetter (1992) and Nahapiet & Ghoshal I will investigate the properties of the entrepreneurial network in terms of network size, tie diversity, tie quality and the strength of the respective ties (see Chapter 6), which also corresponds to the objectives set out in Chapter 1. It needs to be borne in mind, however, that this study was not intended to produce sociometric data, but rather took a qualitative approach (Chapter 5) to investigate the role of social capital in entrepreneurial networks at the pre-organisation stage.

The relational dimension of social capital can be linked to Granovetter's concept of relational embeddedness (Nahapiet & Ghoshal 1998) which refers to personal relationships people have developed with each through a history of interactions (Granovetter 1992). Thus it covers issues such as tie strength, relational trust, confiding and information sharing (Uzzi 1997) and the focus is on particular relationship aspects such as respect and friendship that influence behaviour (Nahapiet & Ghoshal 1998). As Gulati & Gargiulo (1999) highlighted, relational embeddedness is about the effects of social ties between social actors on subsequent cooperation between those actors.

Consequently, Steier (2001) suggested that the relational dimension of social capital is “characterised by the actual relationship or bonds between actors that enable them to make claims on one another” (p. 262). In fact, it is about the social relations and the different combinations thereof. As Nahapiet & Ghoshal (1998) emphasised, people fulfil social motives such as associability, approval, and prestige through these ongoing personal relationships and the relationship focus is on trust, trustworthiness (Fukuyama 1995, Putnam 1993), norms and sanctions (Coleman 1988, Putnam 1995), obligations and expectations (Burt 1992, Coleman 1990, Granovetter 1985) as well as identity and identification (Hakanasson & Snehota 1995, Merton 1968). In particular trust is often seen as fundamental to the existence and growth of social capital (Tötterman & Sten 2005) and Uzzi (1996) emphasised that trust is often seen as the most important norm as it assists in the exchange of resources and information that are considered essential for high performance. This research investigates, among others, the relational dimension of social capital and hence focuses on the different aspects of the relationships between the entrepreneur and his network members, i.e. family, friends and professionals (see Chapters 7-9).

In comparison, the cognitive dimension of social capital, which to date has attracted little attention (see part II of this Chapter) refers to those resources that “represent shared understanding of common goals and the proper ways of acting – for example, shared language and codes” (Yli-Renko 1999, p. 59). Puhakka (2001) understood the cognitive dimension as an entrepreneur’s commitment to relationships and Nahapiet & Ghoshal (1998) emphasised that the shared language may impact resource combinations and exchange among members of a network. In line with the objectives stated in Chapter 1 this study investigated the cognitive dimension of social capital and I focused specifically on the entrepreneurial perception of network ties throughout the different phases of the start-up. Chapter 10 presents the findings of this analysis.

Following Nahapiet & Ghoshal (1998) these three dimensions of social capital have two features in common: 1. they represent one aspect of the social structure and 2. they aid the actions of individuals within the structure (Coleman 1990). As a social-structural resource, social capital is embedded in the relations between persons and among persons, yet social capital also belongs to both parties in a relationship and no one player has exclusive ownership rights (Burt 1992). Social capital cannot be traded easily as friendships and obligations are not readily exchanged between people

(Nahapiet & Ghoshal 1998). In a similar vein, Liao & Welsch (2005) highlighted that the various dimensions of social capital are not mutually exclusive, but rather highly interrelated. They concluded that without the physical centrality of an existing network (structural capital) entrepreneurs are less likely to develop trustful relationships (relational capital) which would impede the formation of shared norms and values in support of enterprise creation (cognitive capital). In particular the latter aspect is important for this study and I will come back to it in Chapter 10.

4.5 Social capital in different contexts and at different levels

Already in Chapters 2 and 3 I commented upon the importance of context for the development of entrepreneurship and enterprise creation, but also entrepreneurial networks. The term social capital has been employed in a variety of contexts, one of which is the relationship between networks, social capital and economic aspects such as the performance or growth of firms (see for instance Baker 1990, Gargiulo & Rus 2002, Gargiulo & Benassi 2000, Reagans & Zuckerman 2001) and related to this within a financial context (see Guiso, Sapienza & Zingales 2004). Furthermore we find a large body of literature that has examined the role of social capital in an educational (see for instance Horvat et al. 2003) and occupational context (see Lin, Ensel & Vaugh 1981 and Podolny & Baron 1997). More recently, as underlined by Liao & Welsch (2005), the study of social capital has embraced the entrepreneurial context and the interface between social capital, entrepreneurship and networks has become very attractive to the academic community. This has also been documented by the recent publication of a series of articles published in the *International Small Business Journal* (see for instance Cope et al. 2007 and Anderson et al. 2007), yet as the literature review has shown no research exists on social capital in entrepreneurial networks within the French context, which is an important finding that underlines the novelty character of this research.

Social capital can be found in different contexts, but also at different levels. Nahapiet & Ghoshal (1998) underlined the multidimensional nature of social capital and that it can occur at both the individual, organisational, inter-organisational and societal level (Fukuyama 1995, Tsai & Ghoshal 1998). Kostova & Roth (2003) investigated the individual level within the macro context of a multinational corporation, Leana & van Buren (1999) and Arregle et al. (2007) focused on the organisational level, Oh et al. (2006) investigated social capital at a group level and Inkpen & Tsang (2005) and Tsai & Ghoshal (1998) explored the inter-organisational (intra-firm) level. Few researchers

such as Griffith & Harvey (2004) have endeavoured to explore both the individual and firm level social capital, in this case of marketing managers. They concluded that, given the focus in the literature on resources being embedded in social relations rather than in an individual, the properties of the network and an actor's position are more important than the actor himself.

Closely related to the idea that social capital is situated at different levels is the debate about social capital being public or private good. Indeed Leana & Buren (1999) pointed out that two patterns emerge in the various definitions of the term social capital as the concept has been explored both through a macro and micro-lens. At the macro-level or meso level researchers such as Coleman (1990) have focused on the *public goods* aspects of social capital, with the latter being described as an attribute of a social unit, rather than an individual actor. Hence social capital has been explored within the context of nations or geographic regions (Fukuyama 1995) or communities (Putnam 1993). Individual benefits directly accrue to the social unit as a whole and only indirectly to the individual (Fukuyama 1995, Putnam 1993).

Alternatively, researchers have focussed on the *private goods* model of social capital, the micro-level, which emphasises explicitly the individual and his/her accrued social assets such as prestige, educational credentials and social clubs (Leana & Buren 1999, Belliveau et al. 1996). Burt's (1992) work falls into this category as he highlighted individual advantages to forming particular types of social networks. The private goods approach to social capital has been applied at the individual (Belliveau et al. (1996), group (Krackhardt 1990) and organisational and industry level (Gulati 1995, Walker et al. 1997), yet Leana & Burem (1999) emphasised that the centre of attention always remains the individual person or unit and the different advantages (s)he can derive from different types of social arrangements. The centre of attention of this study is the individual French entrepreneur and his network ties throughout the different phases of the pre-organisation.

The following section illustrates the different elements of social capital.

4.6 Elements of Social capital

4.6.1 Weak ties versus strong ties

Underpinning much of the theoretical work on social capital are the related concepts of embeddedness (as discussed in section 4.4), tie strength and the structural hole concept. Arguably, Granovetter (1973, 74, 85) was probably one of the first researchers who attempted to conceptualise social capital in his distinction between weak and strong ties and the significance of these ties in yielding valuable knowledge, information and resources (Nicolaou & Birley 2003). Subsequently, much entrepreneurial network research (see for instance Anderson & Miller 2003, Hite & Hesterly 2001, Jack 2005, Janssen & Greve 2002, Johannisson et al. 1994, Johannisson 1988, Mackinnon et al. 2004, Schutjens & Stam 2003, Steier & Greenwood 2000, Uzzi 1996, 97) has been based on the theoretical context of strong versus weak ties developed by Granovetter who put forward the argument that the diversity of ties in which a person is involved can be related to the scope of the opportunities open to that person (Aldrich & Zimmer 1986).

Granovetter's concept of weak versus strong ties (1973, 1985) supported a position where individuals best develop social capital following an approach that favours weak ties with others. As a result, an entrepreneurial network is a social network in which strong and weak ties between the different actors play a significant role. Granovetter (1973, 85) rejected, however, the assumption that it is the sheer size (number) of ties that makes a difference by introducing the idea of network strength. He suggested that "the strength of a tie is a (probably linear) combination of the amount of time, the emotional intensity, the intimacy and the reciprocal services which characterize the tie" (p. 1361). As a result, we distinguish between strong, weak or absent ties. In fact, Granovetter (1973, p. 1366) argued that "whatever is to be diffused may reach a larger number of people, and traverse greater social distance when passed through weak rather than strong ties" whereas weak ties can indeed serve as local bridges that create more and shorter paths. His argument is that close friends and family know each other, thus they constitute strong ties. Strong ties tend to bind similar people in longer-term and intense relationships and affective ties with close friends and family may provide a shortcut or even preclude the search for useful knowledge and access to critical resources. Furthermore as highlighted by Elfring & Hulsing (2003), in complex settings of uncertainty and insecurity individuals rely on close friends and family for protection, uncertainty reduction and mutual learning as a relational governance structure

consisting of strong ties promotes the development of trust, transfer of information and tacit knowledge as well as joint problem solving (Uzzi 1996,97, Rowley et al. 2000).

In comparison, weak ties are associated with acquaintances (Granovetter (1973) or advisors (Krackhardt 1990) and venture capitalist (Hite & Hesterly 2001). As Evald, Klyver & Svendsen (2006) conclude, one of the main problems with the dichotomy of strong vs. weak ties is the ambiguity of both concepts due to the lack of a clear definition. Similarly, Monsted (1995) criticised Granovetter for defining strong vs. weak ties only in terms of the frequency of contacts, yet neglecting other aspects of the relationship such as the ties being old and strong, for instance. The author argued that the perception of the tight network as being inaccessible leads to the idea of brokers, who form bridges between tight networks, filling in the so-called structural holes between informal groups, as pointed out by Burt (1992). Given the contradictory evidence surrounding the merits of the strong versus weak ties argument the contingency approach has increasingly been used to reconcile opposing views on networks (Elfring & Hulsing 2007). This approach suggests that both strong and weak ties may be beneficial to emerging firms albeit for different purposes and at different times. For a more in-depth discussion of the strong vs. weak ties argument see for instance Elfring & Hulsink (2007) and Evald, Klyver & Svendsen (2006). The strong vs. weak ties' argument is one of the key concepts of network and social capital theory and I will come back to it in section 6.16.

4.6.2 Burt's structural hole theory

An extension of social network theory is Burt's (1992) theory of structural holes which postulates that it is not so much the strength or weakness of a tie that is of importance but a network rich in structural holes. His argument is that the network positions associated with the highest economic return lie *between* rather than within dense regions of relationships (Walker et al. 1997). Indeed it is irrelevant whether a relationship is strong or weak as information benefits are generated when we have a bridge over such a structural hole, the key issue is rather that of non-redundancy between two contacts. Contacts are redundant if they are connected in some way and so provide overlapping network benefits rather than additive ones. Structural holes thus present opportunities for greater economic payoffs as the broker's information advantage creates potential for arbitrage in markets (Walker et al. 1997).

There are two major types of benefits from structural holes in networks according to Burt (1992, 97): information and control benefits. Information benefits are about who knows about relevant information and how fast they find out about it. In fact, it is argued that those with strong networks will know more and faster about relevant subjects. Control benefits refer to the advantages of being an important player in a well-connected network, in short it is about leveraging bargaining power and using the latter to control information flows. As Nicolaou & Birely (2003) highlighted, structural holes generate both information and control benefits with the latter giving certain players an advantage in negotiating relationships as they act as the broker between otherwise disconnected players. The information benefits are access, timing and referrals. In fact, Burt's (1992) structural holes and Granovetter's (1973) theory of weak versus strong ties describe the same phenomenon as both authors highlight the need for entrepreneurs to fill the gap between different clusters and non-redundant contacts. However, as van der Merwe et al. (2004) critically analysed, Burt's (1992) structural hole theory goes one step further as it shows what makes the gap important is not the weakness of the tie but the structural hole over which it spans.

Although the concept of structural holes is well established as a theoretical construct it has not found much application in entrepreneurial network research, a notable exception is Walker et al. (1997) who have contrasted social capital theory with structural hole theory in their research on biotechnology start-ups and Anderson & Miller (2003) who applied the concept to explain how entrepreneurial family background impacts upon the development of human and social capital in the entrepreneurial process. In addition, Steier & Greenwood (2000) explored the mobilisation of financial resources in entrepreneurial activity applying both social capital and structural hole theory.

4.6.3 Trust

Trust is a concept that repeatedly emerges as an important dimension of social capital in the literature (see for instance Putnam 1993a,b) and is often described as the "critical component of any social cohesion (Falk & Kilpatrick 2000, p. 88). Arguably, trust is a governance structure that resides in the social relationship between and among individuals and is cognitively based on heuristic rather than calculative processing (Uzzi 1997, p.43). Thorelli (1986) defined trust as "an assumption or reliance on the part of A that if either A or B encounters a problem in the fulfilment of his implicit or explicit transactional obligations B may be counted on to do what A would do if B's resources

were at A's disposal" (1986, p. 38). Coleman (1990) further divided trust into mutual trust, intermediaries in trust and third party trust. In comparison, Uzzi (1997) argued that trust is a social process as these "psychological mechanisms and expectations are emergent features of a social structure that creates and reproduces them through time" (Uzzi 1997, p. 43). In particular in entrepreneurial networks trust is an important component of the exchange relationships as it increases the firm's opportunities, improves its access to resources and add to its flexibility.

As Johannisson (1987a , 1988) argued, the dyadic ties in personal networks are built upon mutual trust. Whereas trust is dichotomous and self-perpetuating the relationship is based on the intuitively shared belief that it will benefit the parties in the long run. As Kanter (1972) and Granovetter (1985) argue, in trust relationships instrumentality is embedded in affective and moral considerations. As Johannisson (1988) concluded, by relying on trust relationships the entrepreneur can preserve both his personality and the originality of his venture. However, Johannisson (1987a) warned that trust is extremely vulnerable to opportunism. Trust is confidence in the continuation of a mutually satisfying relationship and is based on personal friendship and social bonds, established in every day interaction. It is manifested by mutual feelings of belongingness and interdependence. Monsted (1995) added that networks between small firms combine both an economic competitive perspective and a social trust perspective. As a result, small firms' access to resources, the structuring of information and the support structure are very closely tied to personal networks (see also Johannisson 1987a). However, lack of trust is the principal cause of transactional costs (Jarillo 1988) and generating trust is a fundamental entrepreneurial skill to lower these costs and make networks economically feasible. I will come back to issues of trust in Chapters 7-10.

Having outlined the different elements of social capital theory the next section highlights advantages and disadvantages associated with the concept.

4.7 Advantages/disadvantages of social capital

Nahapiet and Ghoshal (1998) identified two major consequences of social capital. First, social capital enhances the efficiency of action as networks full of weak ties or structural holes may increase the efficiency of information diffusion and reduce information redundancy to a minimum (Burt 1992), which is an illustration of what North (1990) labelled 'allocative efficiency' (Nahapiet and Ghoshal 1998). Second,

with social capital being frequently associated with high levels of trust it is argued that this would reduce opportunistic behaviour and could ultimately result in reduced transaction costs (Putnam 1993a). Nahapiet & Ghoshal (1998) underlined that the second theme focuses on the role of social capital “as an aid to adaptive efficiency and to the creativity and learning it implies” (p. 245).

Portes (1998, p. 4) further underlined advantages such as the direct access to economic resources such as loans, investment tips and protected markets. Social capital may also help individuals to increase their cultural capital through contacts with experts or individuals of refinement, or they can affiliate with institutions that confer valued credentials. Moreover, Burt (1997) highlighted information and control benefits arising from social capital. The author argued that “the structural hole argument defines social capital in term of the information and control advantages of being the broker in relations between people otherwise disconnected in social structure” (p. 340).

Nahapiet & Ghosahl (1998) and Portes (1998) criticised that much research has uncritically assumed the positive effects of social capital. Portes underlined, in particular, the danger of community or group participation creating demands for conformity as social control in closed communities such as small towns or villages would be strong and very restrictive of personal freedom. Similarly, Nahapiet & Ghoshal (1998) highlighted that strong norms and mutual identification may limit a group’s openness to information and to alternative ways of doing things, thus producing a sort of ‘collective blindness’, which may have disastrous consequences (Janis 1982). Individual success stories would undermine such group cohesion as they go against the alleged impossibility of such events. The result is downward levelling norms, which keep certain members in place, but oblige the more successful to leave, which would help “perpetuate the very situation that it decries” (Portes 1998, p. 18). Nahapiet & Ghoshal (1998) concluded that social capital inherent in the relationships between and among people could assist some forms of social capital, yet also inhibit others. For an example of the negative effects of social capital and actual loss of capital see Baker & Faulkner (2004).

This first part of the Chapter has provided an understanding of the concept of social capital, its different definitions, its relationship with the concept of embeddedness and the different elements associated with it. I have also emphasised the contextual

dimension of social capital and I have highlighted the advantages and disadvantages inherent in the concept. The next section clarifies the approach I am taking in this research.

4.8 This research

In line with Chapter 1 this research explores the role of social capital in entrepreneurial networks of Anciens of a French Grande Ecole. For the purpose of this study I give preference to Bourdieu & Wacquant's (1992) definition (see section 4.3.1) as it brings together both a micro and macro perspective considering six different aspects: resources, the individual/group, the network, structures, relationships, but also mutual recognition. I argue that these aspects can be linked to the three dimensions of social capital, discussed in section 4.4. The structures Bourdieu talks about relate to the structural dimension of social capital and refer to the structural characteristics of the network (micro perspective), but also to the idea of social capital being embedded within an institutional framework, which is appropriate, given the study's focus on the French Grande Ecole context (macro perspective) (see Chapter 2). Furthermore the term 'structures' also comprises the idea that social capital needs to be considered within the wider context of societal structures, in this particular case the socio-economic, political and cultural aspects of France (macro perspective) (see discussion in Chapter 2).

Bourdieu & Wacquant's definition is also appropriate as it focuses on the relationships between the individual entrepreneur and members of his/her network and the resources, tangible and intangible, the entrepreneur may identify through and in the different members of the entrepreneurial network. Relationships and resources inherent in the structures discussed above are associated with the relational dimension of social capital.

In addition, the concept of mutual recognition as a key element of Bourdieu & Wacquant's definition presupposes a shared language between network members (Yli-Renko 1999), which is in line with the cognitive dimension of social capital discussed in section 4.4. As the notion of cognitive social capital remains underdeveloped in existing research (see part II of this Chapter) I propose to consider Bourdieu's notion of habitus for this study as it represents "the store of cultural and subcultural knowledge that people carry around in their heads and which condition their everyday practices"

(Morrison 2005, p. 314), which constitutes an important aspect of the cognitive dimension of social capital, which I will further explore in Chapter 10 and 11.

I conclude that the positioning of this research is in line with the chosen research topic and the associated objectives of the study (Chapter 1). To further locate this research in the existing literature the second part of this chapter is dedicated to an in-depth review of the literature on the interface between social capital and entrepreneurial networks.

Part II: Social capital and entrepreneurship – a review of the evidence

4.9 Linking social capital and entrepreneurship

The central proposition of social capital is that networks of relationships are a valuable resource for conducting social affairs and that social capital is both the origin and the expression of successful interactions (Anderson & Jack 2002). Thus these relationships provide the members with “the collectivity-owned capital” which entitles them to credit (Bourdieu 1986). Much of this capital lies in networks of mutual acquaintance and recognition. With reference to Powell & Smith Doerr (1994), Anderson & Jack (2002) describe social capital as both the glue that binds to create a network and also the lubricant that eases and energises network interactions. Consequently, analysts of social capital are generally concerned with the importance of relationships as a resource for social action (Nahapiet & Ghoshal 1998) and the majority of empirical research on social capital has focussed on the instrumental utilisation of personal networks (Batjargal 2001) which arguably reflects the emerging concern about the role of social relationships in explaining business activity (Anderson & Jack 2002). In fact, social capital theory is about the ability of actors to extract benefits from their social structures, networks and membership (Davidsson & Honig 2003, Lin et al. 1981, Portes 1998).

As Cope et al. (2007) highlighted until recently the study of entrepreneurship has primarily emphasised the individual through a traits approach and cognitive models of behaviour, yet since the 1980s the importance of social contacts and networks to entrepreneurship and entrepreneurial performance has been increasingly recognised. As I pointed out in Chapter 3 Birley (1985) was one of the pioneers who investigated the role of social networks in entrepreneurship. However, with Granovetter’s embeddedness concept which suggests that economic activity is embedded in social activity, a perspective has emerged which views the entrepreneur as the one who

develops social capital through networks which will then provide access to information, support finance, expertise and allow “mutual learning and boundary crossing” (Cope et al. 2007, p. 214).

Cope et al. (2007) underlined the importance of relationships to the entrepreneur and that the key challenge for the individual remains an understanding of how these function, which requires an appreciation of social capital. As Anderson & Miller (2002) underlined, the presence or absence of social capital may indeed influence the nature of the entrepreneurial venture. As social capital is about social interaction and can be found in and between connections to others it may also be considered to represent ‘networking capital’, as it is a relational phenomenon and “a term that actually refers to the social connections entrepreneurs use to obtain resources they would otherwise acquire through expending their human or financial capital” (Cope et al. 2007, p. 214). With entrepreneurship being a socio-economic process and economic activities being influenced by social interaction, we can conclude that understanding the impact of the social context on the entrepreneur becomes increasingly important (Aldrich & Zimmer 1986, Cope et al. 2007, Granovetter 1985).

Anderson & Miller (2003) pointed out that little research has been conducted on the specific areas of entrepreneurial social capital which is line with my analysis of the literature which has shown that interest in this topic has emerged only recently, with the earliest works being published in 2001 by Steier, to be followed by Davidsson & Honig (2003). The articles I reviewed for the purpose of this study are of an empirical nature and most of the research has been conducted within an Anglo-Saxon context, the exception are Davidsson & Honig (2003) who investigated nascent entrepreneurs in Sweden, Neergard & Maarsden (2004) whose research took place in Denmark and Tötterman & Sten (2007) in Finland. There was a fairly even split of qualitative and quantitative studies; qualitative work has been conducted by instance Anderson & Miller (2005), Anderson & Jack (2007,) Lee & Jones (2006) and Neergard & Maarsden (2004), which contrasts with quantitative studies by Baron & Markman (2003), Davidsson & Honig (2003) and Liao & Welsh (2005). There are, however, a number of studies such as by Neergard & Marsden (2004), Shaw et al. (2006) and Tötterman & Sten (2007) which have taken a mixed method approach, i.e. combined a survey and interviews. Examining the target of the studies, i.e. entrepreneurs, we notice that the actual research has either focussed on nascent entrepreneurs (see for instance Davidsson

& Honig 2003, Lee & Jones 2006 and Liao & Welsh 2005) or established entrepreneurs, see for instance Shaw et al. (2006). The latter work contrasted female and male entrepreneurs and Steier (2001) is one of the few examples of research which links social capital to next generation entrepreneurs.

The analysis has shown that the existing literature centres around five themes, which researchers explores both quantitatively and qualitatively. The themes are as follows:

- Social capital, human capital, family and nascent entrepreneurs
- Social capital, entrepreneurship, knowledge intensive/high tech entrepreneurs and incubation
- Social capital, family and class issues and entrepreneurship
- Social capital, female entrepreneurship, networks and finance
- The cognitive dimension of social capital and entrepreneurial learning within a university environment

One of the subthemes that has been investigated by a number of researchers is the importance of family and Davidsson & Honig (2003), for instance, explored family in a support function for nascent entrepreneurs. This contrasts with Anderson & Miller (2003) who laid the accent on the role of the family background (and in particular class issues) in the development of social and human capital of entrepreneurs.

A second topic that has increasingly attracted interest is social capital, entrepreneurship and knowledge intensive/high tech entrepreneurs and incubators. Liao & Welsh (2004) is one of the first studies that highlighted the differences in the social capital of high tech and non high tech entrepreneurs, to be followed by Neergard & Madsen (2004) who focussed on the social capital of knowledge intensive entrepreneurs and explored team creations and aspects of homophily. Tötterman & Sten's (2007) research is one of the rare studies that investigates all three dimensions of social capital within an incubator context.

An equally novel approach was taken by Shaw et al. (2006) who explored the interface between social capital, female entrepreneurship, networks and finance. Conceptually this research may be one of the most developed studies as it links well known work by Bourdieu (1977), Scott (1987) and Weick (1995). Furthermore this research has also

novel character as it does not build upon the usual definitions of social capital such as Nahapiet & Ghoshal (1998), but the researchers draw on the work of Mitchell (1969) which laid the foundations for social network theory in the 1960s.

A further innovative avenue of research was explored by Lee & Jones (2006) who combined three different theories: social capital, entrepreneurial learning and Information Richness Theory (IRT) into a novel approach to investigating the cognitive dimension of social capital within a university environment.

The literature review also identified other themes such as social capital, entrepreneurial cognition and opportunities (see for instance Carolis & Saporito 2006, Tanas & Saeed 2007) and a new strand of literature spearheaded by Baron & Markman (2003) which focuses on the interface between social capital, social competence and the latter's importance for entrepreneurial financial success. Even though I appreciate the novel character of such research, I decided not to review the work in detail as it is not directly related to the subject of this research. In the following section I will discuss the literature corresponding to the five themes identified above in more detail.

4.10 Nascent entrepreneurs, social and human capital

Probably one of the statistically most sophisticated studies is Davidsson & Honig (2003) who explored the effect of human and social capital differences on 380 nascent entrepreneurs and one control group of 608 non-entrepreneurs. With a special focus on the nascent entrepreneur group they investigated differences in the frequency of gestation activities over an 18 month period as well as variables such as first sales and profitability as indicators of the successful emergence of the entrepreneurial venture. The researchers developed measures for evaluating both bonding and bridging social capital, based on Granovetter's strong versus weak ties conceptualisation. The purpose of the research was to obtain longitudinal data leading to a better understanding of aspects of human and social capital that may be key during the emergent phases of the entrepreneurial venture process.

Following Emerson (1972), Davidsson & Honig explored social capital in terms of social exchange, exploring the effects of exchange ties on performance. They studied pre-emergent entrepreneurial activities and focussed on individual rather than organisational social capital. Adopting Shane & Venkatraman's (2000) perspective

which suggested that entrepreneurship consists of two related processes, i.e. the discovery of entrepreneurial opportunities and the exploitation of such opportunities, Davidsson & Honig highlighted that there is a lack of studies with focus on the pre-firm stage despite a significant body of literature that focuses on intentions (see for instance Krueger & Brazael 1994, Krueger & Carsrud 1993, Klapper & Leger-Jarniou 2006). They concurred with other researchers such as Ripsas (1998) and Wennekers & Thurik (1999) when they concluded that the existing knowledge about entrepreneurship at the emergence stage is still very limited and very little information is available about whether membership in social networks could be a potential source of scarce information triggering opportunity recognition.

The research was based on a two-part sample of randomly selected individuals living in Sweden; the first part of the sample consisting of individuals aged between 16 and 70 years and the second of individuals aged between 25 and 44 years. Initially the researchers randomly selected 49,979 individuals, of which 30,427 agreed to participate, out of these a final sample of 623 people completed the longer interview which led to the identification of 380 nascent entrepreneurs. In addition, 608 persons were randomly selected as control group. Interviews were conducted during May to September 1998. Follow up interviews were conducted with the nascent entrepreneurs at intervals of 6, 12, 18 months after the initial interview. Davidsson & Honig (2003) used binomial logistic regression as well as multiple linear regression analysis to test a number of different models including the variables discussed above.

An individual was defined as a nascent entrepreneur “if he or she initiated at least one gestation activity for a current, independent start-up by the time of the interview” (p. 313) and a list of 20 different behaviours was used to establish whether the actual business creation process had already started. Following Carter, Gartner & Reynolds (1996) the researchers defined a business as started if it fulfilled three conditions: already 6 months before the study money had been invested, income exceeded expenses and the firm had already been established as a legal entity.

The researchers established a number of indicators for both human and social capital. In terms of human capital, questions aimed to establish the respondents' highest level of education, years of work experience, years experience as a manager, previous start-up experience as well as whether they had attended any start-up courses. Having taken

business classes, i.e. formal education, was considered as an indicator of human capital representing explicit knowledge which contrasts with tacit knowledge acquired through experience.

As mentioned earlier, the researchers were interested in both bonding and bridging social capital, represented by strong and weak ties. In the exploration of bonding social capital special attention was given to the family and in particular to whether either parent owned a business. This was based on the rationale that the family is considered as a primary source of social organisation, and has been shown to influence the probability of self-employment (Sanders & Nee 1996). Further questions about the entrepreneur's involvement in business networks such as trade associations and chambers of commerce, aimed to explore the bridging social capital of the nascent entrepreneurs. This part of the investigation was, however, not used in the comparison with the control group. The researchers established two control variables, i.e. gender and age.

Davidsson & Honig found effects of both tacit and explicit knowledge during entrepreneurial discovery as differentiating factor between nascent entrepreneurs and the general population. Swedish nascent entrepreneurs were better educated which indicated more explicit knowledge. The researchers found that those respondents with higher levels of human capital were more likely to discover opportunities perceived to be attractive enough to encourage them to take steps to establishing their own business. Davidsson & Honig hypothesised that this may be due to individuals with higher amounts of human capital disposing of greater self-confidence, which would push them towards entrepreneurship. Alternatively, these respondents may feel fewer risks involved with becoming an entrepreneur as they could be easily re-absorbed in the labour market (Davidsson & Honig 2003, Shane & Venkataram 2000). The study also suggested that nascent entrepreneurs had more work and start-up experience which was indicative of a greater tacit knowledge, the latter point was thought to be particularly influential.

Examining successful exploitation within the nascent entrepreneur group, the study found that both variables: taking business classes as well as previous start-up experience increased activity which may arguably be due to their more specific or immediate relevance to the actual start-up. Tacit knowledge seemed marginally more important

during the exploitation process. In general the findings suggested that both explicit and tacit human capital could help the entrepreneurial discovery and to some extent the exploitation process, yet they concluded that human capital per se was not enough to ensure a successful start-up. Instead, the researchers suggested that human capital and social capital together would be key to ensuring success of the venture.

In addition, the research showed that Swedish nascent entrepreneurs' social measurable characteristics like having or not having self-employed parents as well as encouragement from friends and family were essential in the decision of the individual entering nascent entrepreneurship. In general, social capital was found to be higher in the nascent group than in the control group. Whereas bonding social capital such as having parents or close friends who owned their own business was identified as a good predictor in differentiating those engaged in nascent entrepreneurship from the control population, bridging social capital based on weak ties was a good predictor of rapid and frequent gestation activities, i.e. for carrying the start-up process further. Furthermore bridging social capital was important in determining who of the nascent entrepreneurs would report a first sale or profit, two variables which were seen as critical to successful firm emergence. The research also found that being a member of a business network such as the Chamber of Commerce could make a difference. Equally important was the question of the nascent entrepreneur being member of a start-up team which could be influential in bringing about a rapid pace of gestation activities. Davidsson & Honig concluded that "successful entrepreneurship is a social game" (p. 323).

The authors recommended that it would be beneficial for entrepreneurs to develop both interfirm and intrafirm relations, yet questioned the value of assistance programmes to nascent entrepreneurs as contact with agencies involved in these programmes may promote bureaucratic activities instead of predicting activities suggestive of successful emergence such as first sale, profit or speed with which the gestation activities occurred. The further into the start-up process the individual gets, the more specific and idiosyncratic the resources and information (s)he would need for the successful completion of the start-up process. Hence national and regional initiatives should rather focus on structural relationships than on programmes that specifically target the promotion of entrepreneurial activities. Davidsson & Honig concluded that it may be appropriate to develop business centres that target community and networking activities.

Davidsson & Honig's work is of interest to this study as it highlights the importance of the family in providing support and encouragement for the fledgling entrepreneur. The researchers found that bonding social capital, i.e. parents and friends, who were entrepreneurs themselves were key when differentiating nascent entrepreneurs from the general population. Davidsson & Honig's research has parallels with Miller & Anderson (2003) who pointed out the importance of human and social capital of the family for the entrepreneur. A second aspect that Davidsson & Honig mentioned, yet did not research in detail is the importance of a start-up team which could be influential in bringing about a rapid succession of gestation activities. Neergard & Madsen (2004) focussed their research on team creations within the knowledge intensive industry in Denmark and I will review this article in section 4.15. A third issue that emerges from Davidsson & Honig's study is the importance of social structure. The researchers emphasised that whereas human and social capital are both important factors for enterprise creation, yet a relevant social structure is equally essential for entrepreneurship to come about. Fourth, the findings suggested that the nascent entrepreneur would need more specific and idiosyncratic resources and information for the successful completion of the start-up process, which was in line with Neergard & Madsen's (2004) research, which arrived at a similar conclusion (see section 4.15). Furthermore Davidsson & Honig's underlined the demand for more research at the pre-firm stage which justifies this study, but also underlines its novelty character.

4.11 Three dimensions of social capital and nascent entrepreneurs in high tech ventures

A second quantitative study exploring the role of social capital in the venture creation process was conducted by Liao & Welsch (2005) who examined nascent entrepreneurs using the PSED database, a longitudinal database of individuals who are in the process of setting up their own business. All individuals engaged in this study were initially identified through a random digit dialling (RDD) telephone survey which was followed up by a mail questionnaire. Altogether the researchers contacted 31,261 individuals, aged 18 years or older over the period from 1998 and 1999, male and female participants were equally represented in the survey.

To identify nascent entrepreneurs the researchers asked two questions which aimed to establish whether the individual was trying to establish a business or in the process of starting a new venture for his/her employer. In addition, nascent entrepreneurs had to

fulfil a further three criteria: they were expected to be owners or part owners of the new firm; they should have been actively trying to set up the business over the past 12 months and third, they should still be in the start-up or gestation phase and had not yet established their company. Having considered missing data, the final sample comprised 462 nascent entrepreneurs, after a further subdivision into technology and non-technology firms, the study comprised 150 technology related and 312 non-technology entrepreneurs. A second sample of individuals (n=168) was drawn from the general public and constituted the control group.

The telephone interview comprised a series of questions relating to the nature of the start-up, the start-up team and funding as well as the nascent entrepreneur's social network. After the initial telephone interview respondents received a detailed questionnaire investigating issues such as opportunity recognition, start-up problems, motivation for starting the venture as well as personal information relating to the nascent entrepreneur's background and personal dispositions.

What is distinctively new in Liao & Welsch's (2005) research is the focus on the three dimensions of social capital which were explored through 10 items that referred to the structural, relational and cognitive aspects of entrepreneurial networks. Respondents were asked to rank these items on a Likert scale of 1 out of 5. The researchers employed structural equation modelling technique and conducted ANOVA tests. The same structural equation model was run for both subsamples, i.e. nascent entrepreneurs and the control group of the general public.

Adopting Nahapiet & Ghoshal's (1998) three-tier differentiation of social capital (see section 4.5), they hypothesised that the structural dimension of social capital would be significantly higher for nascent entrepreneurs than for non-entrepreneurs, here the chosen control group. The researchers argued that an individual in a central position of a personal network would be more likely to recognise business opportunities and thus gain access to resources important for the venture creation process. Hence structural capital is supposed to enhance a person's ability to enterprise. Following on from this the hypothesis (H1) was developed that the structural dimension of social capital would be significantly higher for nascent entrepreneurs than for non-entrepreneurs.

Liao & Welsch (2005) suggested that the structural position of an entrepreneur's network would be insufficient to impact upon the venture creation process. Instead, it is rather the relational dimension of social capital and in particular the notion of "accessibility", i.e. the extent to which an entrepreneur is actually able to receive informational, physical and emotional support in the start-up phase, that could influence the success of the venture. The authors surmised that the degree of interaction could positively impact on the number of communication channels open to the entrepreneur which would help nascent entrepreneurs to develop trust and trustfulness more easily. As a result, information, resources and other forms of transactions would be exchanged more easily within the entrepreneurial network (DiMaggio 1992, Hansen & Allen 1992, Nohria 1992). Liao & Welsch suggested that trust is the key to the relationship and once trust is established between parties these would be more willing to get involved in cooperative behaviour which would again generate further trust. They concluded that trust is "the precursor to resource acquisition, knowledge combination and exchange" (p. 350) and they hypothesised that the relational dimension of social capital would be significantly higher for nascent entrepreneurs than for non-entrepreneurs (H2).

Liao & Welsch's work also considered the cognitive side of social capital and they pointed out the similarities with DiMaggio & Powell's (1983) argument of institutional isomorphism which suggests that the normative and mimetic forces in an entrepreneur's network environments would impact a nascent entrepreneur's behaviour. Following these arguments Liao & Welsch hypothesised that the cognitive dimension of social capital would be significantly higher for nascent entrepreneurs than for non-entrepreneurs (H3). In addition, they proposed that structural capital would be positively related to relational capital (H5) and that entrepreneurs with a central position in a social interaction network with many friends and/or family, who have already created their own venture, would be more likely to benefit from communication channels and other resources readily available to them.

In addition, Liao & Welsch suggested that structural capital would be positively related to cognitive capital (H6), arguing that ties between actors would assist in the diffusion of norms across a network which would result in firms embedded in highly interconnected networks developing shared behaviour expectations. Liao & Welsch concluded that entrepreneurs would play dual roles as their behaviour and practice would be most likely to be influenced by norms and values of their entrepreneurial

network, yet at the same time strong social ties and relations in the entrepreneurial network would also play a crucial role in moulding and shaping the shared norms and values of the network.

Liao & Welsch's (2005) last hypothesis (H7) links cognitive and relational capital arguing that the former will be positively related to the latter. They argued that an entrepreneur embedded in an entrepreneurial network based on shared norms and beliefs is more likely to develop trusting and trustful relationships between him/her and other network members. Arguably this would result in enhanced information transfer and exchange as well as access to scarce resource entrepreneurs.

An interesting aspect of Liao & Welsch's research is the distinction between social capital of technology-based and non-technology based entrepreneurs. As the authors argued, in particular technology-based ventures require access to external knowledge, information and learning during the start-up phase, hence a high level of structural capital would seem beneficial to their success. Moreover, a high level of relational social capital promotes the exchange of confidential and tacit information and reduces the risk of opportunistic actions. In addition, technology-based ventures tend to require greater support from their community and cognitive social capital would facilitate access to external sources of learning. Partners would be more inclined in engaging in two-way interactions, which would be beneficial for both the transfer and assimilation of knowledge.

A final hypothesis linked all three dimensions of social capital proposing that social capital would be considerably higher for technology-based nascent entrepreneurs than for non-technology based ones (H 4).

Liao & Welsch (2005) admitted that the findings across different sample groups were counterintuitive; they found no significant differences in social capital between the control group (general public) and the nascent entrepreneurs, yet non-entrepreneurs had a higher level of cognitive capital than nascent entrepreneurs. The researchers concluded that the level of social capital seemed not to be the factor that distinguished nascent entrepreneurs from non-entrepreneurs. Whereas H1 to H3 were not supported, H 4, was partially supported indicating that high tech entrepreneurs would have a higher level of social capital than their non high tech counterparts. Furthermore the findings

indicated that in all three dimensions high tech entrepreneurs showed a significantly higher relational capital than non-high tech counterparts, there were, however, no differences in the other dimensions of social capital. There was no evidence for H5 which had predicted a direct and positive impact of structural capital on relational capital. H6 was supported, however. Thus structural capital was positively related to cognitive capital which suggested that ties between actors would assist in the diffusion of norms across a network which would result in firms embedded in highly interconnected networks developing shared behaviour expectations. Furthermore cognitive capital was found to be positively related to relational capital, i.e. H7 was supported, which underlined a positive relationship between the strength of the shared values and norms inherent in entrepreneurial networks, and the likelihood that an entrepreneur would develop trustful relationships and obtain support from their network.

One of the main contributions of Liao & Welsch's work is the causal link between the three dimensions of social dimensions the researchers established. They suggested that it is key *how* nascent entrepreneurs use their social ties and interaction (i.e. structural capital) to influence and mould norms and practices of their networks (cognitive capital) to develop trust and trustfulness and facilitate access to further obtain support (relational capital). The researchers concluded that it is not the type and extent of social capital an individual possesses, that matters, but rather the ability to convert existing capital into relational capital which distinguishes entrepreneurs from non-entrepreneurs. Furthermore relational capital differentiates high-tech entrepreneurs from other entrepreneurs as the former benefit greatly from higher levels of relational capital, i.e. increased trustfulness in the relationships and the accessibility of information and knowledge inherent in relationships. Liao & Welsch concluded that high tech entrepreneurs seemed more able of utilising one type of social capital to amplify other types of social capital.

Drawing on these findings, the researchers recommended that future research should investigate the different mechanisms, strategies and tactics that nascent entrepreneurs use to convert structural capital into cognitive capital to create relational capital. Moreover, with view to the stages model of entrepreneurship, they suggested to design studies to explore all three dimensions of social capital and how they contribute to the transition across the different stages. Conversely, in process research associations

between different dimensions of social capital and events/activities that lead to venture creation could be explored.

Liao & Welsch's work is important as it is one of the few investigations of all three dimensions of social capital and their interrelatedness. Its focus on high tech and non high tech entrepreneurs offers further insight into the social capital of different types of entrepreneurs, again an aspect under-researched to date. However, the reader is given only partial access to the questionnaire that was presented to the different groups of entrepreneurs; hence it is very difficult to judge the full impact of the research study. It is interesting, though, that high tech entrepreneurs demonstrated significantly higher relational capital, yet there were no difference between cognitive and structural capital comparing high tech and non high-tech entrepreneurs. Like Davidsson & Honig (2003) the researcher underlined the need for more research at the pre-organisation stage.

4.12 Social capital and family firms

Little attention has been devoted to the development and transfer of social capital within family firms, one of the few exceptions is Steier's (2001) work on next generation entrepreneurs, i.e. individuals who have leveraged business assets inherited from their parents. The purpose of the research was to enhance the understanding of the processes by which next generation entrepreneurs inherit and manage social capital. The term 'family business' was defined as "a business involving more than one generation of the same family" (p. 260). The author followed in the footsteps of Burt (1992), Coleman (1988) and Nahapiet & Ghoshal (1998), who had emphasised social capital in terms of resources in relationships. As a result, Steier argued that social capital literature provides a useful framework for examining how firms build and maintain relationships. The author concluded that as economic activity is embedded in social context, social capital is vital for survival, yet within the context of family firms and succession, social capital is the one of the least tangible and least fungible assets.

Steier's study explored next-generation entrepreneurs who had inherited business assets from a previous generation, as a rule their parents. The author chose two ways of identifying potential targets. First, he accessed lists created by Ernst & Young International for Entrepreneur of the Year awards held annually in Western Canada; seven candidates were selected from these lists prepared in 1998 and 1999. Second, the participants from the first round of the study were then asked to recommend a second

group of next-generation entrepreneurs. A total of 18 participants coming from different industries such as agriculture, food processing, food services, construction, real estate were interviewed. Firm size varied between \$1 and \$50 million Canadian annually in terms of sales. In the majority of the cases the companies had been founded by the father, in three cases it was the grandfather. In general, the firms/entrepreneurs were second generation, medium-sized firms. In total, Steier conducted 27 interviews that lasted between 1.5h and 3h.

The research underlined the importance of social capital in determining firm survival and success. The author identified four different ways of transferring social capital: unplanned, sudden succession, rushed succession; natural immersion; and planned succession and deliberate transfer of social capital. Over half of the respondents had to give up their careers and take over the family business on short notice due to accidents, health issues and family circumstances (unplanned, sudden succession). Related to this issue was 'rushed succession' where the family was forced to make unanticipated changes in management. Few, only three interview participants, went through a process of natural immersion where they "gradually assimilated the nuances of network structure and relationships" (p. 266). In the cases of planned succession and deliberate transfer of social capital parents were aware of the value of social capital and made a conscious, long-term effort to pass it on to the next generation. In addition, the author identified seven themes/categories which describe how social capital is managed, i.e. in terms of deciphering existing network structures, deciphering the transactional content of network relationships, determining criticalities, attaining legitimacy, clarifying the optimal role for the entrepreneur, managing ties through delegation and division of labour and striving for optimal network configuration and reconstituting network structure and context.

Steier (2001) concluded the article with a series of propositions linking family firms and the different dimensions of social capital. He suggested that the three dimensions of external social capital: structural, relational and cognitive are often understood and retained through tacit knowledge. Within family firms the transfer of assets and control is marked by a) increased activity on the social front and b) increased critical assessment of existing relationships which may lead to the inclusion or exclusion of different ties. Steier also proposed that the transactional content of ongoing exchange relationship may change from one generation to another and that succession and the

transfer of assets represents a time when weak ties with unclear bridges to resources would vanish.

Although this research does not focus on next generation entrepreneurs but primarily on entrepreneurs who have recently set up their business (between 1999 and 2006), Steier's work is of interest as it adds to the literature with its focus on the role of family ties for a venture, an important aspect that was also explored by Anderson & Miller (2003). In addition, the study provides an in-depth insight into how social capital is managed. Given that this research explored the role of social capital in the different phases of the entrepreneurial venture and half of the entrepreneurs interviewed had entrepreneurial parents, it is argued that the role of family is an important aspect in this investigation. Steier's work highlights the multi-dimensional character of ties that combine both personal and business interest, an aspect that I will come back to in Chapters 8-9.

4.13 Social capital, entrepreneurship and class issues

Similar to Davidsson & Honig (2003) and Steier (2001), Anderson & Miller (2003) pursued an interest in the role of family in entrepreneurial ventures and they investigated how entrepreneurial family background influences the development of social and human capital in the entrepreneurial process. Fourteen 14 entrepreneur ventures were explored in a rural setting in Scotland. The researchers conducted extended interviews and developed short ethnographies of each case. The findings presented here are, however, only based on two cases.

The researchers used the Weberian notion of class which suggests that market capacity is key in economically differentiating classes, which arguably influences the differences in the life chances of individuals (Abercrombie et al. 1984). The class position of the interview partner's parents was used as an indicator of their social origins in order to explore how this affected the development of human and social capital.

In their review of the relevant literature Anderson & Miller pointed out the beneficial effects of early socialisation in the family in developing the capital resources necessary to engage in entrepreneurship. Both human and social capital are key to the entrepreneurial process as these capital resources are important in supplying additional financial, human and social resources necessary for venture creation. The researchers follow Coleman (1988) who suggested that the family background of an individual

could be separated into three components, i.e. human, social and financial capital. Whereas financial capital can be measured in terms of the family's wealth or income that may provide access to physical resources, human capital of the family refers to the parents' level of educational achievement, which may influence the cognitive environment of the children and hence their intellectual development. In comparison, the social capital of the family inherent in the relations within and between family members may facilitate the passing down of human capital (Coleman 1988). Consequently, Anderson & Miller (2003) deduced that families from higher socio-economic strata would be more inclined to use their social capital to encourage the accumulation of both human and financial capital in their children.

The researchers developed a conceptual link between similarity, status, class and social networks by following Holt's (1998) argument that being 'cultured' represents a potent social advantage in society as it may provide access to desirable education, occupations and social networks. Conversely, individuals growing up in conditions that do not favour such development may not have the same opportunities of accumulating cultural capital which would exclude them from certain social circles. Anderson & Miller concluded that members of similar socio-economic circles are more likely to move in circles with individuals from similar backgrounds in their networks.

Anderson & Miller argued that "the social influence processes embodied within status comparison may serve as a mechanism through which social capital affects the allocation of resources required for entrepreneurship" (p. 22). The authors concluded that in a social network that offers social support favourable to reducing the costs of self-employment, individuals with more effective social network ties may be more encouraged to enter into self-employment. Consequently, if those individuals from higher socio-economic strata (higher class positions) may come equipped with greater financial and human capital (following the social similarity hypothesis), such individuals are more likely to have social ties that can offer valuable support. Furthermore entrepreneurs from higher socio-economic strata are likely to have individuals in their social network who would be familiar with the business environment or even be entrepreneurs themselves. Contrary to what could have been expected, the authors found that entrepreneurs with such instrumental network ties seemed to perceive less need to draw upon these resources as their own human and financial capital was sufficiently high to support their entrepreneurial project. Whereas

the type of social network ties was important to entrepreneurial success, Anderson & Miller underlined the need for diversity of such ties in order to recognise and pursue business opportunities.

To conclude, the findings from the study suggested that human and social capital were strongly linked to the respondent's familial background and in particular class origins influenced the development of the entrepreneurial venture. Human and social capital shaped the nature of the entrepreneurial businesses in terms of sector, profit and growth. The researchers concluded that class is a key variable in the entrepreneurial venture.

Anderson & Miller's study adds to the existing literature as it links human and social capital with family and class. Given the focus of this study on graduates from a French Grande Ecole, one of the elitist Management Schools in France, I argue that their work is of great relevance to this study and in particular their finding that people from similar socio-economic circles are more likely to move in circles with individuals from similar backgrounds. I will come back to this in Chapter 10.

4.14 Social capital, entrepreneurship, high tech, business incubation

One of the few articles that explores the role of social capital in high tech firms is Anderson et al (2007) who conducted semi-structured interviews with 10 tech firms from three different sectors (biotechnology, software/IT and oil & gas) in the region of Aberdeen in the North of Scotland. Anderson et al.'s work follows in the footsteps' of Liao & Welsch's (2005) work on nascent technology entrepreneurs which suggested that these high tech entrepreneurs are more focused on the forms of information and the mechanisms of information they exchange in comparison with non-technology entrepreneurs. The latter concluded that technology-based entrepreneurs benefit more from relational embeddedness as they require a greater need for freer and greater exchange of non-redundant information (for a full review of Liao & Welsch's article see section 4.11).

Anderson et al. followed Gartner's (1985) four variable model which consists of the entrepreneur, the organisation, the process of firm creation and his/her interactions with the environment, which allowed the researchers to build a complete picture of the firm development (Anderson et al. 2007). The researchers' main concern was to shed some light on the conceptualisation of entrepreneurial social capital.

From the data analysis the researchers identified four emergent themes; connectivity, credibility, market opportunities and contact. Connectivity was found to be a “fundamental characteristic of the nature of social capital” (p. 262) and a feature found in the majority of cases. However, connectivity was not located at the firm level but at the individual level within relationships and links people had with others. Connectivity was suggested as a “condition” of social capital, maybe even as a manifestation of social capital, creating new links and perpetuating old relationships. As the researchers highlighted, it was particularly interesting to see that some individuals could still reactivate certain ties after years of silence as the commonality and association were still present. Using the metaphor of a magnet that is strongly attracted to other magnets, Anderson et al. proposed that connectivity helps to explain why individuals with high dispositions of social capital were attracted to those in similar positions.

The second theme that emerged from the data was ‘credibility’. The respondents both aimed to create their own credibility but also sought credibility in others. Credibility is a process element of social capital with two different facets: “it acts as a symbolic entrance requirement for entry to the pool” and it “operates as a mechanism for maintaining goodwill with the pool” (Anderson et al. 2007, p. 262). As the latter suggested, this ‘entry credentialism’ presented itself in either technical competences, existing connections and/or reputation. The researchers concluded that “credibility appeared to be a symbolic token of the right to social capital” (2007, p. 258), yet it was not sufficient to maintain the goodwill of the network. In fact, credibility could only be maintained by showing a willingness to oblige and the capacity to do so successfully. Failure to oblige could lead to a potential loss of credibility. Similarly, taking undue advantage of the network could result in the breach of trust, whereas a willingness to volunteer, although no immediate pay off could be expected, was seen as high levels of maintenance credibility. Credibility was taken to represent an association of values and behavioural norms

Market opportunities were the third theme that emerged from the data analysis. They were often the outcome of interaction, which created the opportunity which would not have been possible without social capital. Hence opportunity recognition was possible because of social capital.

Network links and contacts constituted the fourth topic that was identified from the analysis of the qualitative interviews. Some of the comments underlined the critical role of contacts for enabling entrepreneurship and for breaking the isolation that was seen as part of being an entrepreneur. Network contacts were essential as a form of practical support with interview partners relying on these ties for providing information, advice and support, yet trust was equally important as by trusting the individual, people assumed that they could trust the information and knowledge provided.

Anderson et al. concluded their work by proposing that social capital “is not owned but merely represents a pool of goodwill residing in a social network”. As networks of connected individuals can use social capital to gain access to different types of resources, social capital is like a key rather than the resource itself. They could conclude that both social capital and social networks are so entwined, “neither one would survive without the other” (Anderson et al. 2007, p. 265).

Comparing Anderson et al (2007) with Anderson & Miller (2003) we find that the first is a further development of the latter, albeit the studies did not use the same sample of entrepreneurs. Whereas the 2003 research explored how entrepreneurial family background influences the development of human and social capital in the entrepreneurial process among 14 entrepreneurial cases in rural Scotland, Anderson et al. (2007) aimed to conceptualise entrepreneurial social capital on the basis of an analysis of 10 entrepreneurial cases in the creative industries in Scotland. Anderson & Miller (2003) suggested that the social capital of families from higher socio-economic strata would be a major factor in encouraging the accumulation of human and financial capital in their offspring. Furthermore those entrepreneurs from higher socio-economic strata with substantial large human and social capital were more likely to be situated in advantageous positions within networks, a factor that would be of great importance for spotting and exploiting opportunities. Anderson et al.’s (2007) research takes this idea further by developing the metaphor of a magnet that is strongly attracted to other magnets. In fact, the authors proposed that connectivity helps to explain why individuals with high dispositions of social capital were attracted to those in similar high dispositions. Anderson & Miller’s work also contributes the existing literature with its emphasis on the notion of credibility, an issue that I will pick up again in Chapter 9.

4.15 Social capital in knowledge intensive entrepreneurial teams

Different from Anderson et al. (2007) Neergaard & Madsen's (2004) studied the role of social capital in Danish knowledge-intensive companies set up by teams. They chose a triangular mixed methods approach combining a web-based survey with in-depth interviews. The authors investigated how different types of capital impacted upon the establishment and development of new technology-based ventures. Focus was on the complementary networks of different members of the entrepreneurial team and the length and type of their relationships. The researchers investigated ventures supported by technology-based incubators (TBIs) as well as a number of independently identified enterprises. There were two selection criteria: the business sector, i.e. technology and knowledge-intensive sectors and the age of the firm. Half of the firms that eventually participated in the study came from information and communication technology (ICT) and the other half from biotechnology and medical technology (Biomed), the ventures were founded between 1996 and 2002. Eleven of the firms were founded by a single entrepreneur, thirteen by a team comprising between two and seven people. Given that the majority of the ventures had been created by teams, it is perhaps not surprising that a focal aspect of the research was the issue of complementary networks in team creations. Adopting an egocentric perspective on social networks, the authors chose to aggregate individual founder networks in order to identify overlaps in networking. The main aim was to explore the role of homophily in the structure of entrepreneurial teams as well as examine the relationship between team composition, networking and resource acquisition.

Like Anderson & Miller (2003), the authors chose to use social networks as proxy for social capital, following Burt's (1997) definition of social capital being "a function of network's form and content" (p. 355), which is line with Mitchell's (1969) argument that social networks comprises both the structure of the network and the interaction therein.

The internet-based survey was designed on the basis of a theoretical framework which comprises the three types of capital: financial, human and social capital. Data was collected in spring 2001 and autumn 2002. For the second survey in autumn 2002 new respondents were added to the sample. In total 155 individuals from 130 firms were contacted, the response rate for the first survey was 44% and 65% for the second. In addition to the survey, another 85 individual and group interviews were carried out with

founders of 24 purposefully selected ventures. The data presented here refers to the second survey, 101 respondents filled in the questionnaire, 40% of who had already participated in the first survey.

The analysis of the study data showed that the majority of the respondents (almost three quarters) had started the firm together with one or more partners. There were small differences between the BIOMED and ICT sector as there were slightly more solo entrepreneurs in the first. Having a closer look at the co-founder the research showed that this was primarily a previous work associate, or friends or previous study mates, i.e. so-called 'trusted alters' (Ruef et al. 2003). Few cases involved other acquaintances or kin.

Very often the business idea emerged in every-day conversation over a cup of coffee or a drink and was often the result of a mutual initiative or project between all or most founding team members. Furthermore the findings showed that in those cases where co-founders were kin, such kinship was mixed with longstanding friendships from school and university as well as work relationships. In founding teams with two members the two entrepreneurs had known each other, on average, for almost 10 years, in teams of three the respondents had known the first co-founder for 6.8 years on average. As Neergaard & Madsen (2004) concluded, individuals decided to form a venture with one or more partners on the basis of trust and longstanding relationships, or on friendships or having been former colleagues. The researchers warned, however, that there were disadvantages to creating with relations, friends or colleagues as disagreements concerning the strategic direction of the firm could lead to future problems. Furthermore overlapping or very similar networks of the founders could limit the number of ties accessible to the new firm. On the other hand, having known co-founders for a long time and trusting them would be beneficial for the firm as team members tended to stick together and very few of the original founders had left the firms surveyed.

A further area of investigation was the impact of founding team composition on resource acquisition. The data highlighted that in the ICT sector more respondents (94.1%) than in the BIOMED sector thought that the number of contacts were important. In general, it was the CEO who had most contacts (67%), to be followed by the founder with sales and marketing responsibility (12.4%) and the person in charge of

R& D (9.3%). The data also pointed out that in ICT the focus was on in early phases of establishment, i.e. sales and marketing, which contrasts with R&D in BIOMED. Neergaard & Madsen (2004) concluded that a relationship exists between people's sensitivity to networking, the actual amount of networking undertaken and who gets chosen as CEO, which is in line with former research by Duchesneau & Gartner (1990) who suggested that successful lead entrepreneurs would be strong communicators, be self-confident and resourceful.

An interesting point of the research was the attitude to, and perception of networking activities of the respondents. The study found a very low level of interest of the entrepreneurs in such activities, as they either saw no need for them or simply did not want to engage in them. Examining the purpose of entrepreneurial networking activities the study showed that these primarily focussed on technical or market-related issues. An analysis of the types of advice and knowledge needed identified aspects ranging from patenting, legal advice, business plans, product testing, and investors to technical knowledge. Such advice and knowledge were often accessed via indirect ties through the CEO's network or board members' networks. However, much advice or knowledge was simply bought in; it was mainly technical knowledge which was accessed through the network of the chief technical officer. Alternatively somebody would be hired to provide the necessary competences.

Furthermore the data showed that contacts were often used to obtain practical information about running a business, acquiring capital and finding new locations. Clients were generally found in three different ways: 1) through piggybacking on the capital providers' reputation; for BIOMED firms through contacts met at international conferences or through international journals; or alternatively through a CEO who was still in touch with previous employers. A good reputation was generally thought of as very important when contacting potential customers, yet such reputation effects needed to be reinforced by additional efforts to cultivate customers. In contrast, solo entrepreneurs' strategy to identifying customers was quite different as they set up their own distribution channels or negotiated access to already existing ones or placed adverts in different media. Examining founder attitude towards networking for capital, 60% of the respondents judged such activities as important. In fact, the research identified a number of cases where capital investment was made accessible through either weak ties of board members and their reputation or the strong ties of the CEO.

The researchers concluded, however, rather critically that “raising capital seemed to be a bit like a fishing expedition” (p. 118) and recommended that entrepreneurs should aim to establish networks that could “ease the bumpy road to capital” (p. 122). Not all firms would use their networks for all purposes; the key distinguishing factor was the stage of the development of the venture

The analysis of the recruitment strategy of team-based ventures showed that the founders would immediately look to founders’ networks, thus indirect strong ties such as previous colleagues, friends or fellow students from university often became first employees (Neergaard & Madsen 2004). The reasons given included a general trust in competencies derived from personal knowledge of skills and experience; and a focus on ‘cultural fit’ as it was assumed that the new employee/s would appreciate the same entrepreneurial values. Once the networks of the founders had been exhausted, they would draw on the networks of their new employees as a source for recruitment.

Neergaard & Madsen (2004) concluded the research with some final observations. The social heterogeneity, i.e. range of members of the founding teams was low. Conversely, the durability of ties among members was high which resulted in entrepreneurial teams being characterised by homophily and strong ties. The researchers recommended that future research should look at the actual willingness or ability of entrepreneurs to network, an issue under-rated to date. In terms of political implications the research certainly indicated a greater need to improve on capital acquisition at both early and later life cycle stages in knowledge intensive ventures.

The findings from Neergaard & Madsen’s (2004) research are of particular interest to this study as the former’s work is one of the few examples that examines social capital of entrepreneurial teams in a knowledge intensive context. Seven out of the thirteen cases in this research are team creations, in general there were, however, only 2 co-founders. Among those 7 cases, we find a large number of team creations where the co-founders had either been former colleagues (SLB & CH, PP & CB), students from the same university or management school (P&G, JMB & F, MB & AL) or friends (AC & H). We also have one case where two founders were former colleagues *and* had graduated from the same Grande Ecole (CB & PP) (also see Chapters 8 and 9).

4.16 The three dimensions of social capital, entrepreneurship and incubation

A second study that focussed on knowledge intensive industries was conducted by Henrik Tötterman and Jan Sten. The discussion of the interface between social capital, new business incubation and networks is a very recent topic and in particular the role of incubators as refiners of intangible capital (Tötterman & Sten 2007). The researchers applied the three dimensions of social capital to the contributions incubator staff make to entrepreneurial ventures. The main research question related to how business incubators could exploit social capital to assist entrepreneurs in developing their business networks.

The study was of an exploratory nature, using a multi-method approach combining a survey and case studies. The survey provided background information about the case companies and constituted a platform for interviews with incubator staff and tenant entrepreneurs. Hence the researchers got both the views of the personnel who provided an overview of the services offered and those of the incubator tenants who were asked to assess existing services during the interviews. In total 21 interviews were conducted with 3 incubator managers, 9 tenants and 9 post-incubated entrepreneurs; the data was collected between January and February 2002.

The investigation focussed on three not-for-profit managed business incubators, located outside economic growth regions of Finland, who supplied their tenants with at least one of the following: space, office routines, managerial assistance and access to networks. The three chosen incubators shared certain characteristics: they are less than 6 years old; each of them relies on government funding, they are all located outside an economic growth area and the number of staff is relatively small. Before the actual study was launched a pilot study was conducted at an additional business incubator.

Tötterman & Sten (2007) followed the three-tier modelisation (structural, relational and cognitive) of social capital as suggested by Nahapiet & Ghoshal (1998) (see section 4.5). The authors related these different dimensions to the different types of assistance staff provide to the individual/s. As entrepreneurs need help to obtain central positions in networks and incubator personnel may be ideally located to deliver such support, Tötterman & Sten argued that staff should focus on the structural dimension of the social capital concept. Given the objective for incubator staff to develop a strong

community within the incubator itself, the latter may provide crucial assistance to entrepreneurs for their business development processes. Hence focus is on the cognitive dimension of social capital. The third dimension, the relational side of social capital, builds on the premise that incubator staff can facilitate trust building between the tenants, which would potentially be beneficial for the further development of the entrepreneurial venture.

The researchers evaluated incubator network performance on the basis of two aspects: 'networking activity' within the incubator and 'service provider availability'. Whereas the former relates to the number of times incubator tenants took part in incubator activities throughout a year, the latter is based on the tenant's evaluation of the current performance of these activities. Current performance was evaluated on four criteria: tenant mix, potential synergies among the tenants, intensity of information sharing and support provided among colleagues. Furthermore tenant cooperation was assessed on the number of activities such as formal/informal discussions and relationships between the different parties in the incubator. A final aspect measured incubator involvement in terms of the number of joint purchases among tenants and various other forms of cooperation. Internal networking activity was assessed through the number of education sessions organised by the incubator staff. In comparison, 'service-provider availability' was measured through two aspects, i.e. tenants' use of services provided by the incubator and the tenants' evaluation of these services in terms of their usefulness for their business. Tötterman & Sten developed a very detailed proposal outlining how each dimension of social capital was measured in their study, its description is, however, beyond the discussion of this article.

The study showed that there were two types of networks involving the incubators: those internal and those external to the incubator. Although tenants' felt that incubators facilitated the contact with appropriate business networks, the data highlighted that relationships among the tenants themselves were not very sophisticated as relationships were very often just based on pure information exchange (Tötterman & Sten (2007). Instead, the researchers observed that incubators rarely provide tenants with resources which would otherwise be beyond their reach. Tötterman & Sten critically questioned, however, whether it would be feasible for incubator staff with general business know how to provide specialised product or industry-specific knowledge. The tenant mix could certainly significantly affect the level of social capital, yet equally

important were incubator space and its appropriate design in furthering contact and information exchange among entrepreneurs and incubator staff. Sharing space was generally considered as important to overcome loneliness and isolation (Tötterman & Sten), yet few tenants wanted to share physical open space and some felt that the diverse mix of tenants did not provide an ideal breeding ground for resource combination and exchange among people in the incubator. Conversely, tenant diversity was judged by some as a strength.

Trust within the incubator community was generally judged to be higher than outside and the researchers suggested that both physical and mental proximity could enhance the level of existing trust and credibility among tenants. However, it was important not to house firms that were operating strategically too close to other tenants as there could be overlapping fields of business. A good mix of space and companies within the incubator would be important for the density of social capital and tenants' access to other business networks.

Incubator managers were seen as central to developing and maintaining trust in the incubator community, which would lead to more networking and social interaction among people. Yet, the researchers highlighted that even trust and relationships have their limits as post-incubates' social association seemed to die away out once they had left the incubator. Whereas tenants had generally collaborated in one form or another, the commitment differed from case to case. The study showed that by and large the required level of trust would reduce and a higher level of risk could become acceptable when one or both of the parties were based in the incubator. All incubators functioned in an advisory capacity and occasionally managers would also personally guarantee the tenant's trustworthiness, yet never be involved in customer relationships.

Tenants' demands were often found to be contradictory, as in structural terms tenants would readily exploit resources at the expense of others in the incubator whilst in cognitive terms they sought "belonging and a spirit of comradeship" (Tötterman & Sten 2007, p. 504). From a relational point of view they were looking for safety, trust and identification from being a member of the incubator. In fact, some tenants mentioned that trust in the incubator was enhanced by the norms, obligations and expectations imposed on the tenants. Established tenant acceptance criteria were, for instance, seen as a "measure for prestige and trustworthiness" (Tötterman & Sten 2007, p. 505).

Tötterman & Sten concluded their research arguing that when designing entrepreneurial support incubators should not solely focus on offering space and facilities, but instead on the development of business networks and the involvement of different stakeholders. One major stumbling block for incubators remains the lack of resources for promoting network thinking.

This article contributes to the existing literature as it looks in detail at the three different dimensions of social capital within an incubator context, which is a certainly a novel approach, albeit the reader could have wished for more detailed discussion of the individual dimensions. The work gives an impression of the different demands entrepreneurial ventures place upon an incubator and it highlights the limitations of what can be achieved. As two ventures of this research were created in a Grande Ecole incubator Tötterman & Sten's work makes an interesting reference point. Furthermore their analysis underlined key aspects such as the isolation of the entrepreneur and trust within the community. I will come back to the first issue in Chapter 6 and the latter in Chapters 7-9.

4.17 Social capital, entrepreneurial networks, finance and gender

Shaw et al.'s (2006) research continues the theme of the role of social capital in entrepreneurship with a focus on gender and finance. The authors added to the existing literature by including Bourdieu's (1977) perspective on gender symbolism and his bridging of the structure-agency divide. Bourdieu suggested a multifaceted interaction between human relations and objective and subjective structures, yet the latter can be influenced as they are socially built through the effects of interactions between individual agents. This implies that such structures which reflect "tacitly taken-for-granted assumptions which underpin society's 'natural' attitude toward gender differences" (Shaw et al. 2006, p.4) can influence and constrain the individual in his/her future interactions and impact upon the future outcomes of these interactions. As a result, attitudes are created that immediately disadvantage women as the latter are associated with negative qualities whereas men benefit from positive associations.

Central to the theory on social structure are the notion of institutionalism and sense making. The researchers adopted Scott's (1987, p. 54) definition of institutionalisation as "the processes by which action becomes repeated over time and are assigned similar meanings by self and others", and followed Weick's (1995) approach which combined

both concepts of institutionalisation and sense-making. The latter argued that institutionalisation influences the way people make sense and enact their environment, yet at the same time people's ongoing processes of sense-making promote institutionalisation as meanings are shared and collective action is repeated over time. In line with these theoretical foundations Shaw et al. (2006) deduced that gender is a social structure in which entrepreneurship is deeply embedded.

Recent research has investigated the different dimensions of nascent and trading business owner networks to establish the impact of social capital on the successful start-up and the entrepreneur's ability to access and obtain finance (see for instance Carter et al. 2003), yet Shaw et al. (2006) commented that such research is at a very early stage and is hampered by a lack of precise definition of social capital. It was precisely this latter aspect that triggered Shaw et al. to further explore Mitchell's (1969) early work in social network theory. For Mitchell social networks are endowed with different structural and inter-actional dimensions that interrelate to influence the structure of the environment in which the entrepreneur and his venture are embedded. Furthermore these dimensions influence the resources and contacts through which entrepreneurs would have direct and indirect access. In more detail, Mitchell suggested that the structure of an individual's social network can be analysed using aspects of density or connectedness, reachability and heterogeneity of actors and he identified five dimensions according to which relationships could be analysed: content, intensity, frequency of interaction, durability and direction of power. The researchers integrated Mitchell's work in their conceptual framework.

Shaw et al. employed a two-stage methodology consisting of a telephone survey and in-depth interviews with a sample of 30 matched pairs of business owners; both male and female. The businesses had been created in the creative industries sector in Central Scotland within the three last years prior to the actual study. Names and addresses were obtained from the Yellow Pages database which had proved to be the most reliable list of businesses. The data from the telephone survey was analysed using SPSS, the qualitative data was guided by inductive analysis following Glaser & Strauss (1967).

At the first stage of the study information was collected about the way entrepreneurs acquired their resources and how they accessed different types of capital. Background information about the business owner's human capital was obtained through a telephone

survey. The second stage of the study focussed on the social capital of business owners, measuring different dimensions of their personal contact network, i.e. size, diversity, durability, density, contents, intensity and frequency. The questionnaire was informed by earlier work done by for instance Aldrich et al. (1989) and Renzulli et al. (2000).

The analysis showed that 90% of the study participants were between 30 and 59 years old, yet male business owners were on average 10 years older than their female counterparts. All owners had a relatively high level of education, i.e. at least a professional qualification; there were no gender specific differences. Three quarters of the entrepreneurs had no prior experience of running a business and one of the key motivations for setting up a business was past work experience. Women business owners were in general younger, had less work experiences, established smaller businesses with less start-up capital and generated lower sales turnovers than their male counterparts. None of the male business owners had any childcare responsibilities which compares with 68% of the female counterparts. Furthermore male owners were more likely to have made a larger personal investment in their business, yet external finance was rarely used by either gender. Shaw et al. (2006) concluded that these patterns of financing were typical for service sector companies which required very low initial financial investment. Examining the data for male and female founders together, the authors emphasised that the gender-based differences in terms of age, work experience, personal goals, domestic responsibilities, start-up capital and business performance were an expression of the impact social structure can have on women entrepreneurs.

A large part of Shaw et al.'s research was dedicated to structural network aspects such as size, composition, contents, brokers and bridges, strength and density and networking activity. The researchers had asked all participants to identify their 'business discussion network' (Renzulli et al. 2000), i.e. the five people with whom they regularly discussed business issues. The data analysis showed that both male and female entrepreneurs were more likely to discuss business issues with a man than with a woman; both groups of founders identified a man as their prime contact. There were no significant gender-specific differences in the proportion of kinship ties within the discussion networks, yet a more detailed analysis showed that for 76% of all female owners a family member or a domestic partner was a prime contact which compares to only 27% for their male counterparts, which Shaw et al. (2006) concluded, may disadvantage women.

Analysing the conversation contents between the founder and his/her network contacts showed that women were more likely to discuss finance and marketing with their prime contact and were more likely to talk about personal issues with family and non-family ties, which was in line with earlier work by Aldrich et al. (1989) which had suggested that women's networks were organised around work, family and social life. Inquiring further into the density/connectedness of entrepreneurs it was found that the discussion networks of male respondents were denser/more tightly connected than those of the female ones. In comparison, women were more loosely connected to networks, which in line with Granovetter's weak versus strong ties argument, should have been in their favour, in particular as more female than male business owners described their secondary networks of their five primary contacts as large. Shaw et al. underlined, however, the contradictory character of these findings as female owners performed less well (in terms of number of employees and sales turnover), yet were embedded in larger networks of durable relationships.

Network activity, measured by frequency of interaction, was a further area investigated by the researchers, yet no gender specific differences were found, except for the prime contact with whom women spent more time than men. Female levels of networking were slightly higher during the different start-up phases and women were also more likely to adhere to a business club or other networking organisations than men (67% vs. 30%). Shaw et al. again pointed out the contradictory nature of their findings as women 'underperformed', as pointed out earlier, yet spent more time networking. For a possible explanation the researchers looked to government policy for female entrepreneurs and in particular the SBB's mission to challenge existing thinking about women in business which included an action plan that covered finance, networks and networking. Although the government action's plan has been successful in increasing female entrepreneur's networking activities, it has been overlooked that entrepreneurship has been, historically and institutionally, a male-dominated area and that the same would apply to mainstream networks and networking events. Hence women entrepreneurs seem to be networking in the 'wrong' networks. Shaw et al. concluded their research emphasising that it is not just economic, but also societal barriers that female entrepreneurs face. As a result, policy makers should increasingly consider the interaction between business owners, policy and social structures.

Shaw et al.'s work contributes significantly to the existing literature on social capital in entrepreneurship with its specific focus on finance and gender and the impact of social structure on the entrepreneurial venture. Furthermore it benefits from an in-depth comparison between male and female founders in terms of business performance of their ventures, but also in terms of different network aspects that are explored in detail. Although this study does not major on gender issues, in fact only one out of the thirteen ventures was founded by a woman; the theoretical contribution of Shaw et al. (2006) lies rather in the combination of different authors and their respective perspective. Shaw et al.'s emphasis on Bourdieu's work highlights that this study is very timely and the exploration of the three dimensions of social capital opens up further avenues, thus contributes to the existing knowledge base.

4.18 The cognitive dimension of social capital and learning in a university context

As Tötterman & Sten (2005) emphasised, few researchers have to date employed a qualitative approach to explore the cognitive dimension of social capital theory, indeed one exception is Lee & Jones (2006). The latter's research focussed on nascent entrepreneurs who had participated in two distinct training courses: Manchester Science Enterprise Challenge (MSEC) and the New Entrepreneurship Scholarship (NES). Whereas the NES course is an action learning programme that strives to encourage individuals from socially deprived areas to set up their own business, MSEC is a conventional postgraduate programme that aims to develop technology-based business projects. The three MSCE entrepreneurs who took part in this study had progressed from an undergraduate science degree to a Master in Enterprise. In contrast, the three NES entrepreneurs had participated in a six month training course in a different university business school in the same city. Similar to Shaw et al. (2006), the research concentrated on businesses in the creative services industry. This article reports on an exploratory pilot research that is part of a wider study into social interaction.

Three different theoretical approaches were adopted for the research: social capital, entrepreneurial learning and information richness theory (IRT). The researchers adopted Nahapiet & Ghoshal's (1998) three-tier split of social capital into a structural, relational and cognitive dimension and they followed the latter's argument that social capital is created through accessing network ties, imposing normative behaviour and creating a shared interpretative framework between actors.

Although social capital theory is relatively well established, entrepreneurial learning has only recently emerged as an academic topic and approaches to entrepreneurial learning have been influenced by the theoretical perspective of those who create teaching programmes (Lee & Jones 2006). Arguably, knowledge asymmetries due to prior knowledge and individuals exist between individuals, which may explain who does or does not become an entrepreneur. As a result, some individuals may be better than others in recognising business opportunities (Shane 2000). Moreover, researchers such as Baron (1998) and Busenitz & Barney (1997) have pointed out that entrepreneurs may use their cognitive abilities and processes more efficiently or differently than non-entrepreneurs, which would make them more apt at spotting entrepreneurial opportunities. Lee & Jones (2006) linked these findings to Kolb's (1984) four tier learning modes: converger, accommodator, diverger and assimilator which was then mapped onto a model of opportunity recognition (Lumpkin et al. 2004). This revised model advocated for effective entrepreneurs to adopt different learning approaches at different stages of the start-up process. Lee & Jones (2006) hypothesised that individuals who are more supple and adaptable in the way they learn would be better at spotting and exploiting new opportunities.

The third theory the researcher drew on is IRT, which is about a social actor's choice of a communication medium (Daft & Lengel 1986), which arguably may assist in creating a conceptual framework for ranking communication media in terms of their richness (Lee & Jones 2006). The critical aspect of IRT is the carrying capacity which categorises communication media as either rich or lean in terms of their ability to pass on information and understanding. Face-to-face communication is generally more useful than electronic mediated communication in ambiguous situations that need clarification (Lee & Jones 2006), yet electronic communication may offer information benefits such as access to many diverse weak ties otherwise inaccessible. Lee & Jones (2006) put forward the argument that it is essential to consider the impact of personal face-to-face and virtual electronic mediated communication on the creation of cognitive social capital. Their study addressed two inter-related questions. The first investigated how the communication medium would impact upon the features of cognitive social capital; the second explored how educational programmes would influence the creation of cognitive social capital during the start-up phase. This article focussed on the first aspect. In line with these research questions the investigation, which was of a qualitative nature, explored the case of six nascent entrepreneurs from the two Business

School-based training programmes referred to earlier. The focal interest was on the nature of NES and MSEC's entrepreneur's face-to-face and electronic social network relationships and how social capital contributes to the creation, maintenance and development of social relations. The research was based within a social constructionist framework. In-depth qualitative interviews were conducted to establish the entrepreneur's perception of the different modes of communication and access to resources.

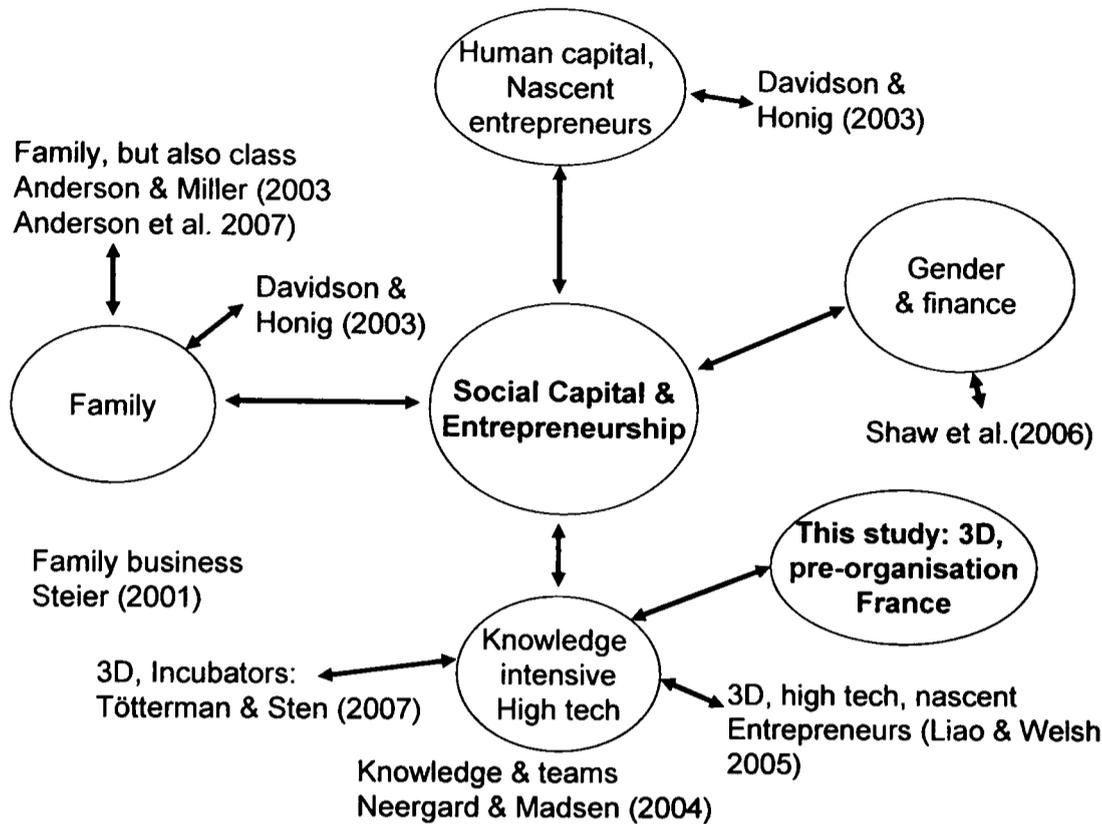
The empirical analysis of the data suggested a correlation between enacted meaning and access to network ties. In both groups of entrepreneurs strong ties were mainly maintained via face-to-face via rich body language such as facial expression, eye contact, verbal language (in terms of frankness, openness and honesty), coded behavioural routines and narratives (anecdotes, stories and jokes). MSEC entrepreneurs created additional cognitive social capital through weak online relationships. Both groups of entrepreneurs accessed cognitive social capital from strong and cohesive ties and face-to-face communication, of which in particular the latter generated a social presence, immediate reference points, feedback and closeness.

Moreover, NES entrepreneurs displayed a preference for face-to-face communication which coincided with a negative attitude and coded behaviour towards email, which led the researchers to conclude that NES entrepreneurs had a lower level of reflective receptive learning resulting in limited exposure to email. Furthermore it was suggested that the different background of the individual entrepreneurs would influence his/her level of human capital and hence technological expertise, which could possibly explain the resistance to using electronic communication. Indeed considerable differences were found in the levels of education of both entrepreneurial groups as MSEC entrepreneurs had been familiar with electronic media since their start-up education and hence considered it as a key tool for accessing information and resources, which was different from NES entrepreneurs. The routine behaviours of both entrepreneurial groups also reflected the different aspirations for their business as MSEC entrepreneurs would actively search and develop brokerage opportunities through email and modify their communication strategies accordingly. In fact, entrepreneurial values and beliefs seemed closely interrelated to the competences and skills these individuals employed to develop their virtual networks, which created additional learning experience and added to their existing cognitive social capital.

A crucial factor that distinguished the two groups of entrepreneurs was the level of additional support available for the individual, once the course had been completed. An incubation unit exists for MSEC entrepreneurs, which creates opportunities for networking among students, nascent entrepreneurs and senior members of the programme. No such support is available for NES entrepreneurs; hence networking opportunities tend to be ad hoc, informal and rather limited (Taylor et al. 2004, Lee & Jones 2006). As a result of the different experiences with weak ties through email based communication, MSEC entrepreneurs showed a more active reflective/receptive attitude towards the implementation of action and frames of reference. Their NES counterparts revealed, however, a lack of reflection and receptivity when talking about their positive/negative experiences with electronic talk. The latter mainly accumulated cognitive social capital via face-to-face communication. Lee & Jones (2006) concluded that the higher level of reflection and receptivity from the internalised experiences of MSEC entrepreneurs indicated greater potential for generating cognitive social capital and mutually acceptable frames of reference for accessing weak ties. Electronic communication complemented cognitive social capital established through face-to-face communication.

Different from the literature reviewed earlier, the latter study focussed on a university context, which is similar to the longitudinal research I conducted for this study, yet Lee & Jones' (2006) research focuses on how different communication media impact upon features of cognitive social capital. Thus both studies share, to some extent, the context, i.e. academia and an interest in the cognitive dimension of social capital, yet pursue different avenues to explore the use of such capital by the entrepreneurs. Lee & Jones' work is of interest to this study as it examines in great detail the cognitive dimension of social capital and contributes to the existing literatures with its combination of different theories elaborated on earlier. In particular the aspect of reflection is of interest for this research and I will comment upon it in Chapters 6-11. Figure 4.1 shows the different foci of the literature and illustrates the positioning of this research study.

Figure 4.1: The literature on social capital in entrepreneurship research



* 3D= three-dimensional focus on social capital

4.19 Conclusion

The literature review has highlighted the emerging interest in the interface between social capital and entrepreneurial networks, yet few researchers have, to date, investigated *all* three dimensions of social capital and even fewer the cognitive dimension. Given the gap in the existing literature I suggest that this research with its interest in *all* three dimensions of social capital contributes significantly to the extant literature.

Similar to Chapter 3 the literature review highlighted a focus on Anglo-Saxon or Scandinavian research. This study investigates social capital in entrepreneurial networks in France. None of the studies reviewed here has considered the importance of contextual factors in the exploration of social capital. Hence I propose that an exploration of the role of social capital in entrepreneurial networks at the pre-organisation stage in a French context can contribute significantly to the existing literature.

Tötterman & Sten (2007 and Neergaard & Madsen (2004) investigated social capital within the context of team foundations. Given that the majority of the ventures I explored for the purpose of this study were created by teams it can be expected that the findings will make a further contribution to the existing literature on the social capital of team creations.

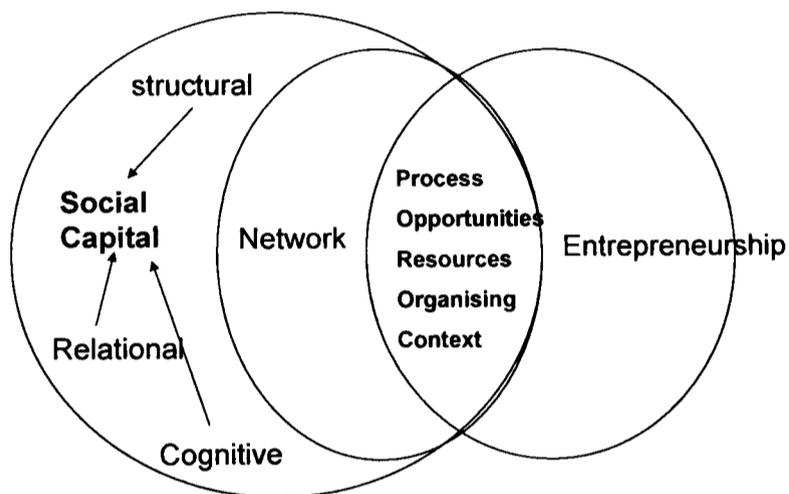
As Davidsson & Honig (2003) and Liao & Welsch (2005) pointed out, there is a lack of studies on social capital in entrepreneurship at the pre-firm stage. This study with its focus on the role of social capital in entrepreneurial networks at the pre-organisation stage responds to this need for further in-depth investigation and will thus make a major contribution to the existing literature.

Examining the definitions researchers employed for social capital we find that it is very often Nahapiet & Ghoshal's (1998) definition which is taken as a basis for the work undertaken. This is in particular the case when authors investigate the three dimensions of social capital. Other researchers such as Davidsson & Honig (2003) are aware of Bourdieu's work, yet did not exploit it to a greater extent; this was only the case for Shaw et al. (2006). I chose to adhere to Nahapiet & Ghoshal's three tier split into structural, relational and cognitive social capital and employ Bourdieu & Wacquant's (1992) definition of social capital (see Chapter 3). I contribute to the existing literature by linking the latter's definition to the three dimensions of social capital (see section 4.8).

A number of authors such as Anderson et al. (2007), Davidsson & Honig (2003) and Neergaard & Madsen (2004) made the point that it would be impossible to divorce social capital from social networks. Accepting this argument I come back to the model I put forward in Chapter 3 (Figure 3.1). The model summarised the commonalities between entrepreneurship and networks. I propose to extend it to social capital theory. Figure 4.2 illustrates the relationship between these different concepts. Accepting the proxy of social networks for social capital, I propose that social capital embraces networks and hence the commonalities that emerged from a comparison between network theory and entrepreneurship (see Chapter 3). Yet, social capital is much wider than networks or entrepreneurship, as it exists in many different shapes and forms at different levels. Social capital makes entrepreneurial networking possible and facilitates the process of venture creation. This understanding of the link between social

capital and entrepreneurial networks underlines the power of social capital as a facilitator in bringing about entrepreneurial ventures, but also considers the different dimensions of social capital, which is another contribution of this research.

Figure 4.2: The link between social capital, entrepreneurship and networks



The next Chapter illustrates the methodological approach and philosophical stance I have chosen for this research.

Chapter 5: Research design: philosophy, methods, data analysis

5.1 Introduction

The preceding Chapter reviewed the literature on social capital and focussed in particular on the role of social capital in entrepreneurial networks. I concluded the Chapter by positioning this research in relation to the extant literature highlighting the gaps in the literature this research aims to address.

In this Chapter I have attempted to set out the methodology and methods applied to this research, which have not, until this stage, been part of my existing portfolio of skills. As a consequence both understanding a qualitative approach and writing a justification for their use have been a major challenge and a significant part of my learning.

This Chapter is divided into two major sections: the first part will illustrate the philosophical approach that has governed this research study whilst the second part will present the actual methods and data analysis tools employed. I will summarise my approach in Figure 5.1.

5.2 The philosophical paradigm chosen for this research

Researchers such as Hussey & Hussey (1997) make the basic but nevertheless important point that the paradigm adopted for a piece of research is critical for all aspects of its conduct. Similarly, Fletcher (2006) highlights that issues of epistemology and ontology should be in line with the research investigation and Guba & Lincoln (1994) argue that “*inquiry* paradigms define for *inquirers* what it is they are about, and what falls within and outside the limits of legitimate inquiry”. As the authors suggest, an inquiry paradigm can be elicited by the responses to three fundamental interconnected questions which are the ontological, the epistemological and the methodological question. Whereas the first is about the form and nature of *reality* and what is there that can be known about it, the second relates to the issue of the nature of the relationship between the knower and what can be known. As Guba & Lincoln (1994) underline, the response to the latter is, to some extent, already pre-determined by the answer to the ontological question posed at the beginning. The third question refers to the methodology that would be appropriate in line with the ontological and epistemological

stances chosen by the researcher. This would cover the basic, but important question of *How* the inquirer can find out about what s(he) believes that can be known. Methods will then be fitted to the methodology chosen. A similar four-tier structure can also be found in Easterby Smith et al. (2008). Given that this research aimed to investigate the three dimensions of social capital, a challenge very few studies have yet responded to (see Chapter 4), I wanted to choose an ontological and epistemological approach that would be flexible enough to accommodate the different demands posed by the different research questions (see Chapter 1).

Morgan and Smircich (1980) suggest that the appropriateness of the research approach depends on the “nature of the social phenomena to be explored”. The social phenomena explored in this research were French entrepreneurial networks at the pre-organisation stage and in particular the role of social capital in these networks. As highlighted in Chapter 4, I chose Bourdieu & Wacquant’s (1992) development of Bourdieu’s (1985) definition of social capital to guide this research, which reinforces the view that social capital is about resources that an individual or a group of individuals possesses through its network of relationships. These relationships do, however, not exist within a vacuum but may be, more or less, part of wider societal structures. This emphasis on relationships and wider societal influences led me to inquire further into Constructionism as a possible philosophical grounding for this research study. However, my dialogue with Constructionism was not as straight forward as I imagined it to be, given that the dividing line between Constructionism and Constructivism has not been very clear-cut and some authors have used the terms interchangeably, an observation also shared with Fletcher (2006). Furthermore van der Haar & Hosking (2004) emphasise that the expectation that there is one thing that is called Social Constructionism is misled as it is about many themes, in many different contexts with many different emphases. Given these difficulties the following sections will present the results from my long journey of constant deliberation, soul searching and sense making efforts.

In the following sections I introduce the key aspects of Social Constructionism and how these apply to this research. I outline my understanding of Constructivism and argue that both philosophical tenets are complementary and hence appropriate for this study.

5.2.1 The beginnings of Constructionism

Crotty (1998), Easterby Smith et al. (2002) and Fletcher (2006) trace the term constructionism and in particular its social variant, back to the work of Mannheim (1893-1947) and Berger and Luckmann's (1966) publication 'The Social Construction of Reality'. Fletcher (2006) further contributes by locating Social Constructionist ideas in different intellectual traditions such as symbolic interactionism, which is concerned with subjective meaning (Blumer 1969, Goffman 1972) and pays little attention to the 'objectivated' and constraining nature of social structure (Downing 2005), and social phenomenology (Schutz 1967), which advocates that conscious experience is obtained through social interaction. Social Constructionism falls into the interpretive research tradition (Easterby Smith et al. 2008, Sandberg 2005).

As Easterby Smith et al. (2008) suggest, there has been a trend from positivism towards Constructionism since the early 1980s and Houston (2001) argues that the latter has been a response to critiques of positivism and its loss of power as 'the driving force' behind the natural and human sciences. Indeed it has been claimed that Constructionism has the potential to bridge the gap between the objectivist and subjectivist perspectives as it suggests that meanings are constructed by human beings as they engage with the world they are interpreting (Crotty 1998). In effect, it has been suggested that the world held no meaning at all before consciousness arrived that could interpret the world. Hence from a Constructionist perspective meaning (or truth), Crotty (1998, 2003) argues, cannot be simply called 'objective' or 'subjective', there is no 'either or' situation. In Constructionism humans do *not* create meaning but *construct* such meaning in conjunction with the world and the objects in the world which may be in themselves meaningless but partners in constructing meaning (Crotty 2003).

In an attempt to define Constructionism Crotty (1998) proposes that it is "the view that all knowledge, and therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context" (p.62). Crotty's definition contains four key elements: knowledge is contingent upon human practice, knowledge gets constructed, out of interaction, and the latter is happening in a social context. Crotty's definition is of relevance to this research given that the latter's focus is on the human practice of networking and knowledge between the entrepreneur

and his network ties is constructed through interaction which is happening in the social context of enterprise creation at the pre-organisation stage.

One variant of constructionism is Social Constructionism which has largely developed as a reaction to the application of positivism to the social sciences and was derived from the view that 'reality' is not objective and exterior, but socially constructed (Easterby Smith et al. 2008, Gergen 1999). As a result, this philosophical perspective concentrates on the ways people make sense of the world and the emphasis is on sharing experiences with others through language (Easterby Smith et al. 2008). This is also in line with Weick (1995) for whom the social construction of reality follows a process of sense-making. As Chell (2000) further expands, it is "about the ways in which people interpret what they perceive. To engage in sense-making is to construct, filter, frame, and create "facticity" and to render the subjective into something more tangible (p. 67). As Gergen (1994, p. 160) argues, social constructionism is both an 'anti-foundationalist' and 'anti-objectivist' theory of knowledge which prioritises the "discursive matrix from which knowledge claims emerge and are justified" (Reed 2005, p. 1624)

5.2.2 Reality derived from relationships

In Social Constructionism 'reality' is determined by people rather than being objective and due to external factors (Easterby Smith et al. 2008). As Houston (2001) put it, the social world is manufactured through human interaction and language and knowledge is removed from the data-driven domains and placed in the hands of people in relationships (Gergen 1985). As a consequence, the social scientist needs to appreciate the different constructions and meanings that people, individually and/or collectively place upon their experiences (Gergen 1985). As Rudes & Guterman (2007) emphasise, the relationship is the most important aspect in the Social Constructionist perspective. Consequently, the researcher is encouraged to understand that the individual's ways of describing and explaining are derived from relationships. This is also in line with Fletcher (2006) who illustrates that the theoretical and practical point of departure of Social Constructionism are human relations and their social context. As the author emphasises, social constructionism "derives theoretically from the relationship between people, institutions, material objects, physical entities and language, rather than the private sense-making activity of particular individuals" (p. 422). As a result, social constructionism shifts the focus away from an over-privileging of agency and its

singular role in social construction processes to a concern with relationality and the whole of human relations and their social context (Fletcher 2006). As Fletcher concludes: “people, structures, the physical world, culture, language, words, concepts, images gain their meaning from relatedness to each other and not to representations of how the world ‘really is’ or to the meaning that inhere in peoples’ mind” (p. 437), an aspect that distinguishes Social Constructionism from Social Constructivism (see section 5.3.2). As a result, there can be no absolute truth and the researcher needs to ascertain how various claims for truth and reality become constructed in daily life.

Social Constructionism is different from Bhaskar’s critical realist perspective which advocates that there *is* a reality out there, which is indeed independent of human thought and this reality can exist on three levels, i.e. the empirical level with its experienced events; the actual levels with events, experienced or not; and the third level, the causal level, that involves the ‘mechanisms’ which create events (Houston 2001, p. 850). In line with the Social Constructionist tenet this research is essentially about understanding relationships between the entrepreneur and his/her entrepreneurial network ties at the all important pre-organisation stage. The accent is clearly on different aspects of relationality and the contributions network ties make to the entrepreneurial project at different stages of the venture creation process. Hence I did not follow in Bhakar’s footsteps assuming that there is reality out there, but followed the Social Constructionist paradigm’s assumption that reality is determined by people, i.e. the entrepreneur and his network ties.

5.2.3 The importance of language

As Reed (2005) comments, Social Constructionism became caught up in ‘the turn to language’ which affected much of the social sciences during the 1970s and 1980s. As Falkheimer & Heide (2006) underline, language in Social Constructionism is not supposed to work as a picture or map of what has happened, but researchers should make language the focus of their interest and understand language as “a carrier of power” (Falkheimer & Heide 2006, p. 187). As the latter further suggest, language is “both a vehicle to produce and reproduce the social reality, and a vehicle to understand the world around us” (p. 187). As a result, language “is *productive* rather than (merely) reflective” (Edley 2001, p. 435). Reality becomes constituted by both talk and texts (Edley 2001), which is in line with Chell (2000a) who argued that language is at the heart of this shared and understood reality. The research presented here is in the

tradition of collecting and interpreting, dealt with later in section 5.9.7, natural language data. The research will, as far as possible, not simply espouse theory as reported by respondents but will also, as far as possible, attempt to understand theories in use through such methods as observation (see section 5.10) and repertory grids (see section 5.11).

5.2.4 Human action as response to sense-making

One of the leitmotifs of Social Constructionist ideas is the meaning-action interconnection (Houston 2001), which is in line with Easterby Smith et al. (2008) who underline the importance to understand human action as a response to the sense making of different situations, not as a direct response to external stimuli. This research aims to explore the way individual entrepreneurs make sense of their networking activities at the pre-organisation stage. It is important to understand meaning in a natural setting. This is why I went to interview the majority of entrepreneurs on site (also see section 5.9).

5.2.5 A context specific understanding

Houston (2001) underlines, that one of the key characteristics of Social Constructionism is that it emphasises that our understanding of the social world as historically and culturally specific, which suggests that it is, to a certain extent, dependent on the context in which we are based. This is also in line with Reed (2005) who underlines that the discursive practices and formations that are part of the Social Constructionist worldview will depend on historical and structural differences in the varying temporal and spatial contexts in which they are embedded. This research has taken place within the socio-economic, political and educational context of France (see Chapter 2) and I argue that entrepreneurial start-up activities, but also the way entrepreneurs network are, to a certain extent, influenced by these contextual factors.

5.2.6 The role of the reflexive researcher

Contrary to Positivism where the researcher must be independent and distanced in Social Constructionism the observer cannot be divorced from the sense-making process. As a result, the researcher is part of what is being observed. Easterby Smith et al. (2008) go, however, further by suggesting that the researcher needs to assume a reflexive approach to methodology which means that (s)he needs to realise that theories which apply to the subjects of the research must also be relevant to him/herself.

Coming from a rather positivistic and science-orientated background Social Constructionist's postulate that the researcher is part of what is being observed was initially an alien concept and in particular Easterby Smith et al. (2008) claim that the researcher needs to realise that theories which apply to the subjects of the research must also be relevant to herself, were initially difficult to reconcile with my ontological and epistemological viewpoint. However, throughout the actual research process I acquired a much greater appreciation of this feature of the Social Constructionist paradigm as I realised that I was embedded in the structural framework, i.e. French society and the Grande Ecole system, and hence part of what I was observing. Indeed I realised that such embeddedness could work to my advantage and facilitate access issues and enhance the quality of the data collection. I will come back to this in section 5.4 on pre-understanding.

5.2.7 Consideration of stakeholders

As Downing (2005) underlines, the individual is surrounded by significant others who "are the principal agents for the maintenance of his subjective reality" (Downing 2005, p. 190). These principal agents are the stakeholders Easterby-Smith et al. (2008) refer to in their conceptualisation of Social Constructionism. The different stakeholders in this study are the network members whom the entrepreneur pulls into his venture to assist with the start-up. These stakeholders and their resources, their competences and skills are key to the entrepreneurial start-up as we will see in later Chapters.

5.2.8 A non-dualist theory about the becomingness of social reality

As Fletcher (2006) suggests, Social Constructionism offers the advantage of being a "theory of knowledge about the becomingness of social reality" (p. 436), which is attractive as it makes it possible to work with a non-dualist epistemology and ontology, given that its focus is on relationality and not the division between subjectivity and objectivity. This is in line with Chell (2000) for whom Social Constructionism is about the way individuals and groups create their reality and make sense out of it which suggests a processual dimension. As Chell outlines, the social construction of reality is both subjective and objective, a phenomenon Burrell & Morgan (1979) have referred to as 'ontological oscillation'. Applied to an organisational setting that is continually transforming, progressing and adjusting to the environment, this implies that its members are constantly producing and reproducing social structure through communication (Shotter 1993). As Edley (2001) summarised the problematique:

Reality “is the *product* of discourse, both the subject and the result of what talk is all about” (p. 437). Subjective in the way that the individual in the situation deals with it according to their perception and interpretation of the different factors; objective insofar as people use a common language to interpret and express the meaning of situations. In fact, they provide evidence to support a particular interpretation which then becomes accepted as reality, a shared and understood reality (Chell 2000a). The study of entrepreneurship and entrepreneurial networking is intricately linked to the question of entrepreneurial identity. The entrepreneurs I involved in this study expressed themselves in relation to their network ties, which became particularly obvious in the repertory grid discussions and the cognitive dimension, dealt with later in Chapter 10.

5.2.9 Different conception of ‘self’

As Rudes & Guterman (2007) propose, Social Constructionism is different from traditional theories as it promotes radically different conceptions of self. As the authors explain, disciplines such as psychology have historically understood the self as some sort of phenomenon that is ‘just there’. However, there has been a trend to increasingly understand self as “a story about identity, character, and personality that individuals tell to one another” (Rudes & Guterman 2007, p. 389). As Bruner (2004) suggests, the self is a narrative phenomenon that gets constructed and constantly reconstructed in a conversational domain, which is in line with Gergen (1985) who postulates that “the self-concept is removed from the head and placed within the sphere of social discourse” (p. 274). As a result, the individual becomes a reflexive, reflective participant in the meaning and sense-making process. As the later analysis will show, the entrepreneurs who participated in this study placed particular emphasis on the reflexive and reflective nature of the relationships they maintained with different network ties (see Chapter 6-9).

5.2.10 Focus on a small number of cases

In contrast to positivism that aims to generalise through statistical probability based on large numbers selected randomly, Social Constructionist studies prefer to focus on a small number of cases for which the researcher will gather rich data chosen for specific reasons. In such studies generalisation is taking place through theoretical abstraction (Easterby Smith et al. 2008). In order to study the phenomenon identified I studied initially fourteen, later thirteen cases which facilitated an in-depth investigation of issues of concern. I will take up this issue later in section 5.8.

5.2.11 Focus on process

Constructionism (Easterby-Smith et al. 2008), but also constructivism offer the advantage of privileging processes, as processes of social construction enquire into ‘what is going on’. People relate mental models, heuristics, life experiences as well as existing or non-existing knowledge to enact, as in the case of entrepreneurship, business opportunities (Fletcher 2006). Constructionists see the importance of understanding phenomena from a process perspective. As a consequence, the cases I studied considered a processual dimension I will comment upon later in section 5.6.

5.2.12 Social Constructionism and structure

As Fletcher (2006) underlines, social constructionist ideas have a lot in common with Giddens’s (1979, 1994) structuration theory which is concerned with the duality of structure and examines the relationship between agency and structure relating individual “sense-making and enactment to the societal level through processes of structuration” (Fletcher 2006, p. 427). Whereas I agree with Fletcher to point out this important relation to Giddens’s early work, I would like to go a step further and integrate Bourdieu’s (1968) ‘habitus’ in this discourse, which according to Lizardo (2004) is a “useful and flexible way to conceptualise agency and the former’s ability to transform social structure” (p. 375). Taking Bourdieu’s concern with structure at a meta level and the genesis and historical development of structure as well as the knowledge that he was heavily influenced by the psychologist Piaget’s work, which encouraged him to think of a conception of structure at a cognitive-practical level (Lizardo 2004), we also see a close relationship between Bourdieu’s work and social constructivist ideas. Bourdieu has, indeed, been called a ‘structuralist constructivist’ due to his work’s focus on the relationship between the individual and structure. Bourdieu (1989, p. 1) commented that there is a close relationship between “social structures and mental structures, between the objective divisions of the social world ... and the principles of vision and division that agents apply to them” (Bourdieu 1996, read in Lizardo, p. 376). I already commented briefly upon on Bourdieu’s habitus in Chapter 4, but I will further expand on it in Chapter 11.

5.2.13 Social Constructionism in entrepreneurship research

One of the few recent articles that critically analyses the reasons for the lack of theoretical development of Constructionist ideas in entrepreneurship enquiry is Fletcher (2006) who suggests an over-reliance on anecdotes or stories and a preponderance of

positivist/functionalist paradigms as well as a lack of sophisticated qualitative methods. Furthermore she asserts that Social Constructionist ideas have been both maligned and misappropriated and many researchers have abused the social constructionist label to position work that was rather concerned with the subjective experiences and perceptions than the ways in which meanings were negotiated and shared through social processes which would ultimately contribute to the social construction of reality. As a result, the term 'social construction' has become a 'catch-all' phrase to refer to "any research work that has a qualitative orientation emphasising words, contexts, language, discourse and meaning –making" (Fletcher 2006, p. 422). With Bouwen & Steyaert (1990) and Bouwen (2001) as well as van der Haar & Hosking (2004), Fletcher is also among those authors who puts the most emphasis on the development of a relational social constructionist perspective, emphasising the aspect of relationality and coordination between people and their text/contexts.

5.2.14 Problems with Social Constructionism

The Social Constructionist perspective has, however, not been readily embraced by every theorist as its ideas are feared to have the potential to contribute to a collapse of the individualistic paradigm as advocated by Constructivism (Rudes & Guterman 2007). The latter critically remark that the paradigm shift to Social Constructionism may be difficult to assume as, in particular, Western culture values aspects such as autonomy, independence and other conceptions of self that may be very opposed to the relational processes inform this perspective. Furthermore, Social Constructionist studies have been particularly criticised for being time-consuming and resource-intensive, with data analysis and interpretation not necessarily being straight forward and potentially contingent on the intimate tacit knowledge of the researcher himself (Easterby-Smith et al. 2008). As Reed (2005) critically remarks, one of the problems of Social Constructionism is that the perspective has denied a separation between a discursively constituted social reality and a social reality that exists and changes independent from any discourse or mediation. This has left the social scientist with the challenge of how to reconcile both discursive and non-discursive spheres. Furthermore Ray & Sayer (1999) have criticised that Social Constructionism has neglected crucial differences between culture and economy as the former has treated language, discursive practices and textual forms as separate from any links with social structure. Despite this criticism I advocate that Social Constructionism is an appropriate philosophical tenet for this study in line with the research questions outlined in Chapter 1.

5.3 Constructionism versus Constructivism

Having positioned Social Constructionism and having expanded upon its relevance for this research study I want to come back to the important interface between Social Constructionism and Social Constructivism. As I commented earlier, the exploration of both philosophical approaches has been made difficult by researchers using the terms interchangeably. I disagree, however, with this approach and in the following sections I will argue for the complementarity of both approaches.

5.3.1 Knowledge as result of the individual's cognitive processes

As Rudes & Guterman (2007) highlight, Constructivism is a postmodern epistemological formulation developed in the 1970s, which developed as a response to struggles within the cognitive therapy movement. Constructivism preceded and influenced Social Constructionism. Following Watzlawick (1984), Rudes & Guterman (2007, p. 388) suggest that “knowledge is not a reflection of objective reality but, rather, the result of an individual's own, i.e. subjective cognitive processes. Similar to Humanism, Constructivism posits that individuals construct their own subjective realities. In the 1980s, however, an increasing number of constructivist researchers adopted the Social Constructionist paradigm as it was suggested that Constructivist ideas placed organisms in biological isolation booths (Rudes & Guterman 2007).

One dimension of this research explores the cognitive dimension of social capital and I was particularly interested in the individual entrepreneur's cognition and his/her perception of network ties. The focus was the subjective cognitive processes that occurred in networking at the pre-organisation stage. Hence I argue that the Constructivist paradigm which also accommodates the repertory grids employed in this study was an appropriate perspective for investigating the phenomenon under investigation.

5.3.2 Socio-cultural practices shaping cognitive processes

Constructivist ideas focus on individual cognitive processes and the question of how individuals mentally construct their worlds (Vygotsky 1981), yet attention is also given to the socio-cultural practices and norms that shape such cognitive processes. In fact, both Constructivism and Social Constructionism share this interest in socio-cultural practices, yet the latter places knowledge in the context of human interchange whereas Constructivism holds that “human knowledge is skull bound” (Rudes & Guterman

2007, p. 388). Both the emphasis on human interchange in entrepreneurial networks and the focus on cognitive processes are of great interest to this study, as already commented upon in section 5.3.1 and in line with the research questions posed in Chapter 1.

5.3.3 Variants of Constructivism

Exploring the literature on both Constructionism and Constructivism we find a number of different variants of both terms such as, for instance, ‘cultural constructivism’, ‘critical constructivism’ (see Spender 2008) as well as ‘radical constructivism’ (see for instance von Glaserfeld 1984). Of particular relevance is ‘personal or philosophical constructivism’, a variant particularly influenced by Piaget’s ideas on the development of mental abilities which are genetically determined by nature (see Piaget 1972). Kelly’s (1955) personal construct theory (PCT) and its repertory grids, a technique I employed for this research study, are explorations of personal constructivism. This type of constructivism deals with the idea that humans learn from their experiences, using the ideas they already have (absorptive capacity) as a basis. I will come back to Kelly’s PCT and repertory grids in section 5.11.

5.3.4 Problems with Constructivism

So what are the problems with Constructivism? As I mentioned earlier, in the 1980s many constructivist theorists challenged the existing paradigm and instead adopted the Social Constructionist perspective. This happened as adherence to Constructivism creates, as suggested by Gergen & Gergen (2004), an inner world which is key to what it is to be a human being, yet also “a world of separation, isolation, and conflict”. Hence the focus on the individual and his inner world becomes a trap for the researcher. This is similar to Liebrucks (2001) who advocates that meanings cannot be analysed appropriately in the framework of a psychology that focuses just on the individual. Instead, meanings are intersubjective phenomena and they need to be interpreted with reference to the rules and conventions inherent to the community to which they belong (Geertz 1973). Given this criticism of Constructivism I argue that a combination of the Social Constructionist and Constructivist paradigm is particularly appropriate to the phenomenon researched, as I will propose in the following section.

5.3.5 This research: Combining Social Constructionist and Constructivist perspectives

For a long time I was guided by the somehow erroneous assumption that I had to choose one single philosophical approach to conduct this study, i.e. for instance Social Constructionism, yet as Easterby-Smith et al. (2008) point out it would be difficult to find any one researchers who adheres to just one paradigm. My research questions which investigated the three different dimensions of Social capital, i.e. the structural, relational and cognitive, created a dilemma for me insofar as I felt that no one single paradigm could give justice to these three dimensions.

As I illustrated in Chapter 1 this research addresses four distinct research questions exploring the three dimensions of social capital. The Who and When questions associated with the structural dimension investigated the *process* of entrepreneurial network development at the pre-organisation level, with a focus on the people involved and the activities conducted. As suggested earlier one of the strengths of the Social Constructionist perspective is its ability to look at change processes over time and thus contribute to the evolution of new theories (Easterby Smith et al. 2008), which recommended it as a guiding framework for this research question.

Equally important is the Social Constructionist focus on human practice and interaction as the second research question (What) inquired into the relational dimension of social capital exploring the *relationality* between the entrepreneur and his/her network members. Focus was on the transactional content of relations between both parties, which was in line with the aims and objectives pursued by this research (see Chapter 1).

Furthermore Social Constructionist ideas maintain that knowledge is socially contingent which suggests that “what exists are varied, multiple, legitimate interpretations of a situation, rather than a single truth” (Ford & Lawler 2007, p. 419). Given that I also interviewed the co-founders in order to shed some light on their perception of the role of social capital in entrepreneurial network development at the pre-organisation stage, the Social Constructionist framework permitted multiple, legitimate interpretations of a situation. In particular the phases the entrepreneur experienced, but also the activities and ties involved in those phases were subject to different perceptions by founders and co-founders (see Chapter 6 and Appendix 6.2 for the different phases’ models).

Social Constructionism with its consideration of a context-specific understanding as well as a focus on structure was appropriate as the research was based within the French socio-economic, political and educational system which constitutes the context against which these entrepreneurial ventures, their founders but also the research findings have to be understood.

Clearly all three dimensions of social capital are closely interrelated, yet the cognitive dimension of this research required a different approach of inquiry. Although the interaction between researcher and the entrepreneur remained of great importance, the emphasis shifted to the cognitive capacities of the individual and I used Kelly's PCT and corresponding repertory grids to illicit the concepts underlying the entrepreneur's perception of his/her network ties. In particular, it was through these repertory grids which, to some extent, had to be negotiated with the entrepreneur, that I gained a much deeper insight into the reasons why the individual would work with some ties and not with others. Hence the Constructivist approach proved to be complementary to the Social Constructionist tenet I had chosen as a guiding frame for this research study.

Based on the experience from this research study I advocate that the deliberate mixing of both Constructionist and Constructivist approaches has resulted in a much stronger, more colourful and better understanding of how the entrepreneur perceives and constructs his world, in particular in terms of entrepreneurial networking throughout the start-up. Such an approach is also in line with Howorth, Tempest & Coupland (2005) who suggest that adopting a multiple paradigm approach may lead to new insights which are free of constraints associated with former views of the research topic. The authors conclude that paradigm interplay has indeed a lot of potential as a way of enriching entrepreneurship theory development.

By acknowledging that entrepreneurship and entrepreneurial networking are both social constructs we accept that there will never be one true and accurate answer to the question of what entrepreneurship is and what entrepreneurial networking is about. However, encouraging dialogue to explore the role of social capital in entrepreneurial networks at the pre-organisation stage provides a means of discerning the meanings that individuals attribute to relationality in entrepreneurial networks. As such, individual interpretations of entrepreneurial networking gain legitimacy and are recognised within

a local/regional or national cultural context instead of imposing universal, yet inappropriate, definitions.

5.4 The research design: the importance of pre-understanding

As Gummesson (2000) clarifies, pre-understanding is about people's knowledge, insights and experience before they embark on a research programme. Pre-understanding contrasts with understanding which is derived from improved insights emerging during a programme or assignment. As Gummesson further extrapolates, pre-understanding is also related to a certain attitude and a commitment on the part of the researcher, it is about his/her personal experience as an essential part in the process of collecting and analysing information. Pre-understanding could be based on both professional and private experience acquired in different contexts and be highly beneficial to the researcher and the research participants, yet a lack of pre-understanding could also present a serious obstacle as the researcher will need considerable extra time to collect basic information about issues and aspects relevant to a research aspect. Conversely, the downside of pre-understanding could be historical knowledge, concepts, hypotheses and theories that seriously bias and block the researcher's sensitivity (Gummesson 2000).

In this research project it was of great benefit that I had been living in France for three years before I embarked on this study, hence I possessed "*specific knowledge of social patterns*" (Gummesson 2000, p. 74). I had also been working at a French Grande Ecole for a certain number of years, which had given me "*specific knowledge of institutional conditions*" (Gummesson 2000, p. 73). During this time I had conducted several surveys investigating the entrepreneurial spirit of French Grande Ecole students (see for instance Klapper 2004, Klapper & Léger-Jarniou 2006) and I had created a number of entrepreneurship courses where I had developed my theoretical and practical knowledge of entrepreneurship, thus I benefited from "*general knowledge of theories*" in Gummesson's (2000) words. In addition, I had been organising roundtables on entrepreneurship with a number of entrepreneurs, which had provided me with the *personal experience* that was essential to start this research project even gave me the idea for this study. In particular I had invited these entrepreneurs to work with me to let "reality have a say on its own terms" (Gummesson 2000, p. 63). I did not force any preconceived categories and concepts on the reality of these entrepreneurs but I let their "reality" speak to me and the students who attended these seminars. The

entrepreneurial reality which I learned from the work with these individuals triggered an interest and promoted an intuition that something was special about the way the entrepreneurs were setting up their business, the way they were using the network of the Anciens from the Grande Ecole in their start-up. Hence 'real-world data' (Gummerson 2000, p. 63) induced me to engage in this research project.

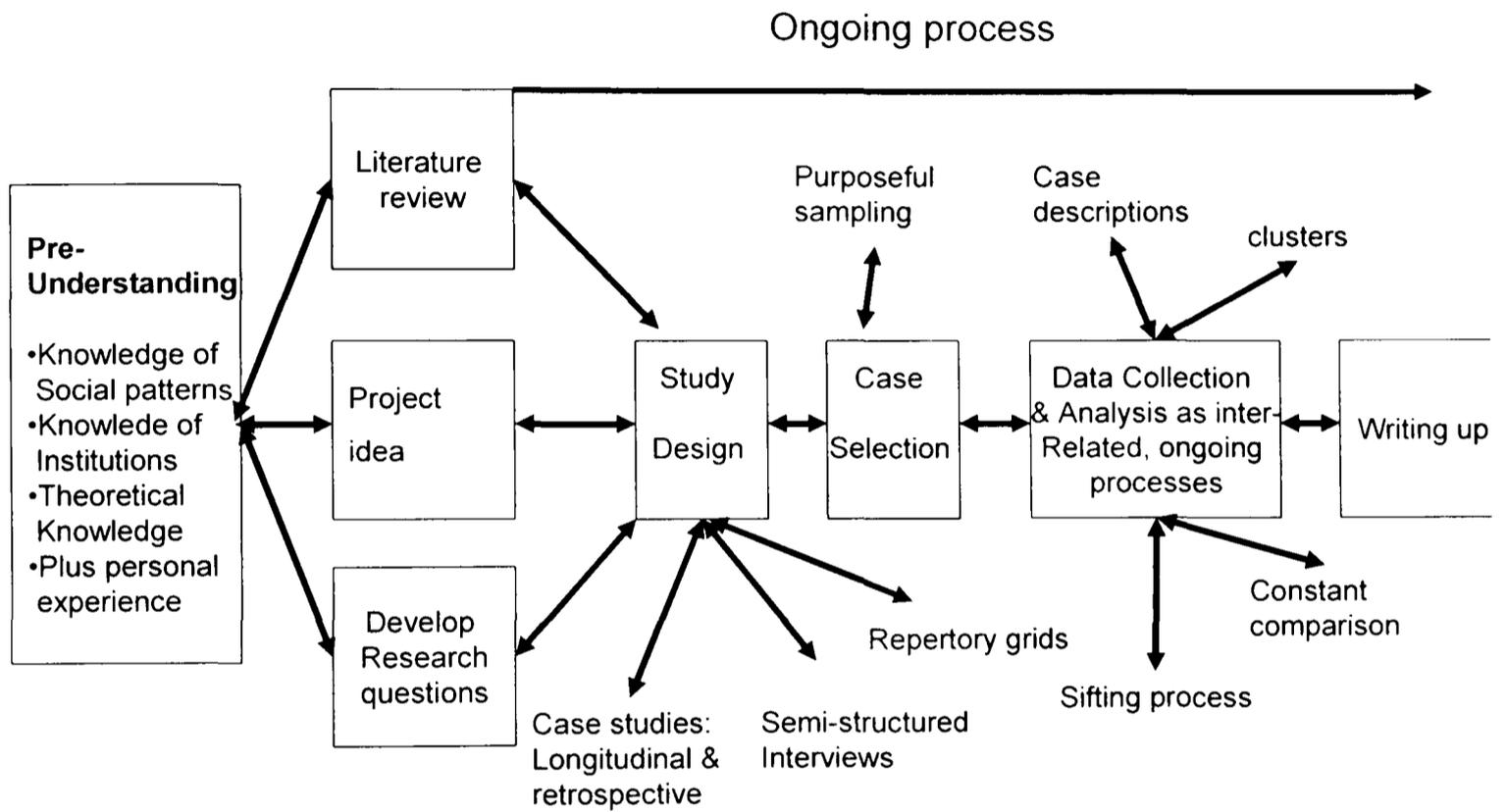
5.5 The actual research process

As Edmondson & McManus (2007) stress, understanding of organisational phenomena is rarely "a sanitized linear progression that starts with a literature review, moves on to the research question, data collection, and analysis, and ends seamlessly with publication" (p. 1173). Instead, the researchers advocate that the process of field research is "a journey that may involve almost as many steps backward as forward" (p. 1173). As a result, in order to achieve methodological fit the researcher goes through a learning process. This is in line with Gummerson (2000) who suggests "that no understanding without pre-understanding" and "an understanding of the parts assumes an understanding of the whole"(p. 70).

Figure 5.1 illustrates the research process, which started with my pre-understanding, as explained earlier, which led to the identification of a project idea. Literature review and research questions were developed in parallel, both informed by my pre-understanding. This led to a study design based on longitudinal and retrospective cases employing semi-structured interviews and repertory grids to establish the entrepreneurial perception of the social capital inherent in entrepreneurial networks at the pre-organisation stage. Cases were selected on the basis of purposeful sampling as I will detail later in this document. Once the research process had started, data collection and data analysis were ongoing, closely interrelated processes, which eventually led to the writing up. Part of the data analysis process were case descriptions, a sifting process entailing constant comparison across three levels of data (first and second interviews with first founders and additional interviews with co-founders) as well as within and cross case analysis which led to the identification of categories and subcategories. Furthermore as part of the data analysis process I was able to identify different cluster of cases as well as employ the 'stacking comparable cases strategy' advocated by Miles & Huberman (1994) to facilitate the data analysis process. This process eventually resulted in the generation of a number of models shown in Chapters 6-10. The findings

from the data analysis were eventually written up in light of the results from the literature review in Chapters 2, 3 and 4.

Figure 5.1: The research process



5.6 Process Studies in Entrepreneurship

As Fletcher (2006) argues, social construction processes have often been marginalised or ignored in entrepreneurship research, yet the construction of ourselves, our lives, work and identities means that we are relating to the culture and society of which we are part. Hence the entrepreneur who gives an account about the emergence of his business and the networking taking place throughout the different phases of the start-up also provides an idea of the relationship of the entrepreneurial venture to the culture, society and the institutions in which the former has been produced. Bryman & Bell (2003) suggested that processual research explores the activities of individuals and organisations over time; as such it aims to understand human behaviour as a dynamic activity.

As I already highlighted in Chapter 3 the idea of both entrepreneurship and networks being about processes is key to the understanding of entrepreneurial networks. Researchers such as Shane & Venkataraman (2000), for instance, critique that much research in entrepreneurship has neglected this dimension, despite the fact that the notion of process is well integrated in entrepreneurship definitions (see for instance Venkataraman 1997, Sarason et al. 2005). Aldrich & Zimmer (1988) go even further by suggesting a close link between entrepreneurship and networking that is based on the assumption that networking is essentially a socially constructed process that results from actions of entrepreneurs.

Whereas there is consensus that entrepreneurship and entrepreneurial networking are both about processes, we find, however, very few process-orientated studies enquiring into these issues, a notable exception is Schutjens & Stam (2003), whose work I reviewed in Chapter 4. This finding is also in line with Bygrave (1989) who advocated that we will not get to the heart of the entrepreneurial process unless “we observe it happening in the field” (p. 21). The author concludes that there is an urgent need for more in-depth longitudinal case studies that will provide more knowledge about the process of entrepreneurship. This demand for longitudinal studies had also been echoed by Coviello (2005) and Granovetter (1973).

With view to network dynamics and network development Coviello (2005) advocates that a phenomenological approach with focus on the social process of entrepreneurial networks is appropriate in order to understand how networks evolve over time. In fact,

she refers to Greve & Salaff (2003), whose work I reviewed in Chapter 3, who critically comment that an over-reliance on cross-sectional survey methods cannot capture the dynamics of change both within and between a firm's stages of development. Consequently Coviello asks for the adoption of a phenomenological paradigm with focus on social process, as "the qualitative data generated through inductive phenomenological research is particularly appropriate when rich, deep process-based network information is required" (p. 43). As possible qualitative methods Coviello (2005) and Gummesson (2000) suggest both observation and in-depth interviews which should be conducted over an extended period of time to gain a deep understanding of the network relationships and their dynamism. This research study is based on more than 40 interviews with entrepreneurs and co-founders (see section 5.9.3) and occasionally I also benefited from the insight of (participant) observation, as I will illustrate later in section 5.10

As discussed in section 5.2.1 one of the strength of the Social Constructionist tenet is that it lends itself to exploring processes over time. For the purpose of this study I investigated two types of processes. Firstly, the process of network development throughout the different phases at the pre-organisation stage. Unencumbered from traditional phases' models, which tend to refer to the phase after the actual start-up (see for instance Flammholz 1985 and Wilken 1979) I asked the entrepreneur to give me their perception of the different phases of their entrepreneurial start-up. This resulted in a phases' model which responded to the 'Who' and 'When' question of this research, i.e. the structural dimension of social capital, of which I will present the findings in Chapter 6. Combining both a longitudinal and retrospective cases was a deliberate decision to better respond to the research questions and related objectives of this research and (see Chapter 1).

Secondly, as I illustrated earlier, this study also enquired into the process of entrepreneurial sense-making as I was exploring the way the entrepreneur makes sense and constructs his entrepreneurial network throughout the different phases of the start-up. Semi-structured interviews (see section 5.9.4) and in particular repertory grids, (see section 5.11) facilitated my quest to understand the entrepreneur's sense-making effort and the resulting perception of his entourage.

Given that the investigation of these two processes was key to this research study I had to choose a corresponding methodology and appropriate methods. Furthermore the three-dimensional investigation of social capital lends itself to a mixed methods approach which I will detail in the next section, but first I will clarify the important distinction between ‘methodology’ versus ‘methods’.

5.7 Methodology versus Methods

As Easterby Smith et al (2002) underline, once the researcher has clarified both his ontological and epistemological standpoints underlying the research key decisions need to be made about the methodology and methods to be employed. Whereas Crotty (1998) defines methodology as “the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes” (p.3), methods are “the techniques or procedures used to gather and analyse data related to some research question or hypothesis”(p. 3). Similar to Crotty, Blaikie (1993) views methods of research as the actual techniques or procedures used to gather and analyse data related to some research question or hypothesis; and methodology as the analysis of how research should or does proceed. In comparison, for Harding (1987) methods are “techniques of gathering evidence” which contrasts with methodology as “a theory and analysis of how research should proceed”. Along similar lines, Hussey & Hussey (1997) contribute to the methods versus methodology debate by describing the former as merely the means by which data has been collected and analysed, whereas the latter is a more holistic term for the research process.

In line with the ontological and epistemological approach chosen an array of actual methodologies is available such as, for instance, experimental research, survey research, ethnography, phenomenological research and grounded theory. In comparison, the list of possible methods is even longer and includes sampling, questionnaires, observation (participant and non-participant), interviews, focus groups, case studies, narratives, visual ethnographic methods, statistical analysis, cognitive mapping and content analysis (Crotty 1998). I chose a grounded case study approach involving semi-structured interviews, (participant) observation and repertory grids for this particular research study.

5.8 Case study Research

5.8.1 Introduction

As Perren & Ram (2004) argue, qualitative methods have been gaining acceptance in small business and entrepreneurship research and the case study method has been part of this trend. Indeed Stake (2003) confirms that case studies have become one of the most common ways to do qualitative inquiry and they “are not a methodological choice, but a choice of what is to be studied” (p. 435). This is also in line with Leonard-Barton (1995) who emphasises that the phenomenon that is to be researched dictates, to some extent, the terms of its investigation. As Easterby Smith et al. (2008) highlight case studies can be found in both positivist, relativist and constructionist perspectives and Borch & Arthur (1995) and Coviello (2005) advocate that the case study approach is particularly appropriate to researching entrepreneurial networks as it provides an insight into social dynamics and the operations of both the firm and the owner managers over time. Given the research strategy in this study being qualitative, the approach taken was rather inductive than deductive.

5.8.2 Mixed methods approach

Edmonson & McManus (2007) point out the need for a methodological fit in management field research. Hence in line with the research questions and the ontological and epistemological perspective I have chosen for this research I applied a mixed methods approach consisting of a methodology based on a combination of a longitudinal case study and a number of retrospective case studies. Embedded with these case studies I conducted 42 semi-structured interviews with the entrepreneurs, yet I also benefited from (participant) observation and I used repertory tools to illicit information from the entrepreneurs about their construct systems. Semi-structured interviews as well as (participant) observation belong to the genre of qualitative methods, yet repertory grids present a hybrid, as will illustrated in section 5.11. As Leonard-Barton (1995) comments, one of the advantages of mixing both longitudinal and retrospective cases is the improved external, construct and internal validity, an aspect I will come back to in section 5.13.

5.8.3 Multiple cases

Whereas a single case has limits in terms of generalisability and potential biases (Leonard-Barton 1995), multiple cases help to increase external validity and protect

against observer biases. Yin (1984) compares the logic underlying multiple cases to that of multiple experiments. The author suggests that each case should be selected so that it “either a) predicts similar results (a literal replication) or b) produces contrary results but for predictable reasons (a theoretical replication)” (pp. 48-49). As the objective of this study was to produce theory relevant to social capital in French entrepreneurial networks at the pre-organisation stage, I chose a multiple case method, which offered the advantage of comparing (replicating) the phenomenon, i.e. the entrepreneurial network during the different phases of the start-up in a systematic way. I will detail my sampling strategy in more detail in section 5.8.10.

5.8.4 Emphasis on Process

As Yin (1994) and Eisenhardt & Graebner (2007) underline, theory-building research uses cases to answer research questions that address the “How” and “Why” of unexplored research areas. Hence as Amaratunga et al. (2007) concludes, the case study approach lends itself to understanding processes as they occur in their context, which is similar to Gummesson (2008) who suggests that case study research facilitates the understanding of mechanisms, i.e. the analytical generalisation of what is done and how, rather than statistical generalisation of how many, how much and how often. As this research explores the role of social capital in entrepreneurial networks at the pre-organisation stage the understanding of the process of entrepreneurial networking was key to the investigation. I interviewed individuals to gain an insight into the process of entrepreneurial networking and I aimed to discover unique features of, but also common traits to all entrepreneurial networks I investigated. Also see section 5.6. for a further discussion of process studies in entrepreneurial research.

5.8.5 Theory building

Amaratunga et al. (2002) argue that case studies are tailor-made aiming to investigate new processes or behaviours or those of which little knowledge is available. As a result, case studies are important for generating hypotheses and generating new theory (Ghauri 2004), which may be testable using measurable constructs and hypotheses that can be falsified. As the literature review in Chapter 4 has shown, there have been very few studies that have investigated the cognitive dimension of social capital, one notable exception is Lee & Jones (2006) and there are equally few studies that deal with all three dimensions of social capital, one notable exemption is Tötterman & Sten (2007). Hence this research makes a major contribution to existing theories on social capital in

entrepreneurial networks, but also adds a phases' model covering the pre-organisation stage (see Chapter 6).

5.8.6 Multi-perspectival analyses

As Tellis (1997) comments, case studies are 'multi-perspectival' analyses, which implies that the researcher does not only consider the voice and perspective of one actor but also that of relevant groups of actors and the interaction between them. As eight out of the fourteen cases considered in this research study were team foundations I had also sought the views and perceptions of the co-founder to provide a perspective that was supposed to be complementary to that of the first interviewee. This is also in line with Ghauri (2004) who put forward the argument that case studies are holistic given that they allow the researcher to explore a phenomenon from a variety of perspectives.

5.8.7 The longitudinal dimension

As Bryman & Bell (2003) suggest, case study research often includes a longitudinal element, where the researcher conducts a series of interviews with the participants over an extended period. Similarly, Ghauri (2004) argues that case studies have been credited with the potential to deepen our understanding of the research phenomenon through a longitudinal approach. Ghauri further compares the case study to a historical review in the way that there is the possibility to use existing historical material and records plus interviews. The case study approach has the advantage of offering both direct observation and interaction. For the purpose of this study I combined a longitudinal real-time study that I conducted with young entrepreneurs who founded their venture at the ESC Rouen in 2007 and whom I followed over a period of 18 months with initially thirteen, later twelve retrospective cases. I did not want this research study to be bound to creations in an educational context, yet the longitudinal study was beneficial to this research as its findings enhanced the validity of the remaining cases. The findings from the longitudinal case are integrated whenever and wherever possible in Chapters 6-10, yet there will be no particular focus on the longitudinal case only in later parts of this thesis.

5.8.8 Definition and bounding of the case

Ghauri (2004) asks the very important question: What is meant by a case? In response, Gummesson (2008) suggests that "a case should always be defined to suit a specific research purpose" (p.39). As Bryman & Bell (2003) further illustrate, a case can be a

single organisation, a single location such as a factory, a person or a single event. For the purpose of this research the case was defined as the entrepreneurial network throughout the different phases of the start-up, i.e. at pre-organisation level. However, in many cases the entrepreneur included information about his/her early education and early socialisation through family and friends, issues of relevance to the understanding of the relationships between the entrepreneur and his/her network ties. The cases ended with the actual creation of the business, not just legally but also the actual public launch (also see section 6.2)

5.8.9 The importance of contextuality

Whereas context is important for the case study (Yin 1994) as the latter in its complexity operates within a number of contexts, such as physical, economic, ethical and aesthetic, we also increase both propositional and experiential knowledge through the case (Stake 2003). Arguably, knowledge is socially constructed and in their experiential and contextual accounts case study researchers assist readers in the construction of knowledge (Stake 2003), which brings us back to some ideas inherent in Social Constructionism discussed earlier in section 5.2.8, which highlights the interrelatedness of the methodology and ontological and epistemological stance chosen.

5.8.10 Sampling strategy

Eisenhardt & Graebner (2007) state that the researcher is confronted with the challenging question of how best to select the cases for the research and he often falls into the trap of trying to identify cases that are representative of some population. A solution to this problem could be to emphasise that the purpose of the research is to develop theory and not to test it which would make theoretical sampling an appropriate method for case selection. Gummesson (2008) suggests 'purposeful sampling', which is about determining the type and number of cases during the research process, as a useful strategy. Sampling depends on the additional data required and the diminishing returns of additional information, i.e. the level of saturation obtained. Most qualitative studies relying on a small number of cases tend to employ purposeful sampling strategies, in which cases are deliberately chosen for their ability to reveal important information about the phenomenon of interest (Gummesson 2000). As Gummesson concludes, it is always a question of trade-off between one or few deep cases and many shallow cases. The intensive longitudinal research gave me a deep insight, rich in detail, into the role of social capital in entrepreneurial networks at the pre-organisation

stage. I used the data generated from this longitudinal case to complement and confirm the data obtained from the other much shorter retrospective cases.

As discussed in Chapter 1 the target group of interview participants are former ESC Rouen students, i.e. Anciens, who created their business between 1999 and 2007, one exception is SAPP which was founded in 1990. Initially I had thought that the 'Association des Anciens' could provide a list of Anciens who had created their own company, this was, however, not the case, yet due to my teaching and research activities I was aware of a number of Anciens, who had become entrepreneurs, and who still actively participated in teaching and training at the Grande Ecole as tutors, lecturers or consultants. I contacted an initial four of them to pilot the research and apart from one entrepreneur, who left the country to set up her business in New Caledonia, I obtained positive feedback. In addition, I recruited more entrepreneurs at the first meeting of the 'Club des Entrepreneurs et Repreneurs', which was created by different stakeholders, among them the ESC Rouen and the Association des Anciens on 01.03.2006. Furthermore the head of the Association of the Anciens provided an additional few cases who she had worked with for purposes related to the association. I will later comment on the access problems I experienced in this study (see section 5.8.13).

In total I investigated 14 cases, yet one case was dropped at a later stage when it became clear that the entrepreneur was a '*repreneur*', i.e. somebody who had taken over a business. Unfortunately this was not known to me when I embarked on the interview with him, it only emerged from later discussions. It is interesting to note that this person had been recommended to me as an entrepreneur in the French sense of the word and indeed in his home region Normandy he is known as an *entrepreneur*. This case is indeed an illustration of the different interpretations of the term entrepreneur/ship in international research. The three-tier categorisation of the official definition of the entrepreneurship which comprises creations ex-nihilo, take-overs and relaunched business (see Chapter 2), had already alluded to this problem.

When choosing potential candidates for this research study I took three aspects into consideration. First, the entrepreneur had to be an Ancien of the ESC Rouen; second they had to classify for the status of entrepreneur and not 'repreneur'. As this research follows Gartner's (1989) definition of entrepreneurship being about company creation (see Chapter 2) it was essential that all companies had been founded by either a sole

founder or a team. Conversely, it was acceptable for somebody like BS, who reactivated his dormant company, to be classified as an entrepreneur. Third, as was discussed in Chapter 2, new government measures, that were supposed to facilitate enterprise creation in France, came into place in 2003. Hence I intended to recruit entrepreneurs who had created their enterprise close to this date. This proved, however, much more difficult than envisaged; eventually I identified, however, three cases: JMB, GK and NF. Furthermore I aimed to minimise problems with retrospective accounts and I selected cases whose date of creation was still within reasonable reach to facilitate reflection about network development and the implication of different actors throughout the different stages of the venture creation, an argument which is in line with Carter et al. (2003). As a result, I targeted entrepreneurs that had created their venture between 2000 and 2007, but I also included AC's business which had been created in 1999 and CB and PP's company that had been set up in 1990. Among the fourteen cases I investigated was only one woman. I had initially identified three female entrepreneurs, yet two did not find the time to participate in the study. For a description of the cases see Appendix 5.1.

5.8.11 Triangulation

Ghauri (2004) suggests that triangulation is one of the defining characteristics of a case study. The author traces the term 'multi-methods or triangulation' back to Campbell & Fiske (1959) who argued that validation could be achieved using more than one method. Ghauri credits triangulation within a case study approach with providing "a more complete, holistic and contextual portrait of the object under study"(p. 115). In this research triangulation happened between documents, in particular articles that had been published about the Ancien in the Journal of the Anciens, data generated by semi-structured interviews, observation and repertory grids. As Ghauri concludes, triangulation or a multi-method approach can create a better understanding of the phenomenon under review, even though the different methods may not yield the same results.

5.8.12 Saturation

As Gummesson (2000) comments, the actual number of cases chosen for a specific research project will be dependent on the moment saturation is reached, which is "the diminishing marginal contribution of each additional case" (p. 96). As the author explains further there would be no need to add further cases "when the marginal utility

of an additional case approaches zero” (p. 96). The saturation point was reached very late in this study, which is arguably due to the fact that I focused on the three different dimensions of social capital which all required a relatively deep level of investigation.

5.8.13 Access issues

As Gummesson (2008) emphasises, one of the key issues the researcher needs to address is the question of having adequate access to the phenomenon under investigation. The phenomenon I investigate in this study is the social capital in French entrepreneurial networks at the all important pre-organisation stage. As Gummesson (2000) points out, access is about the “the ability to get close to the object of study, to really be able to find out what is happening”. He identifies three types of access, access to project finance, access to the system and access to individual in the system. Within the context of this research all three played a role. Whereas financing for the project was predominantly provided by myself and partly by my employer, access to the system of the Grandes Ecoles was facilitated by the fact that I am member of staff at a Grande Ecole management school. Hence being a lecturer at one of these schools gave me an immediate credibility vis-à-vis the entrepreneurs. A more important problem was access to the individual, i.e. the Ancien who had created a business. One of my key partners in accessing these individuals was the Association des Anciens, spearheaded by MLT, herself an Ancien of the ESC. At the onset of this study I had approached this person to get her support for a quantitative study using her database of Anciens (around 9,000). Unfortunately I could not obtain MLT’s support for the project, yet she agreed to assist me with a qualitative study. She gave me ready access to the Journal of the Anciens and I was at a later stage invited to write an article about one of the entrepreneurs I had worked with. Furthermore MLT recommended individual entrepreneurs to me whom I could contact. She withheld, however, certain information about the entrepreneurs if this coincided with the objectives she pursued within the framework of her association. Unfortunately the Association did not dispose of a sufficiently developed database available with a clear focus on entrepreneurs. MLT is an excellent example of a gatekeeper (Gummesson 2000, Easterby Smith et al. 2008), a powerful organisational member, who can promote, or to some extent, inhibit progress of a research project. Both happened in this project.

5.9 Data collection methods

Stake (1995) and Yin (1994) identified a number of sources of evidence in cases studies which comprised documents, archival records, interviews, direct observation, participant-observation and physical artefacts.

5.9.1 Documents

For the purpose of this study I used documents such as the newsletter of the Anciens at the ESC Rouen to identify entrepreneurs and collect information about them and their business activities; but I also conducted interviews (see section 5.8.2) and benefited in some cases from direct observation.

5.9.2 Interviews

One of the great dangers commonly overlooked by researchers is that they gear the data to quantitative statements “which spoils the richness of the data” and does not to give a holistic view (Easterby-Smith et al. 1991). Interviews may be one possible solution to this dilemma as Hannabuss (1996), for instance, suggests that these take place because people are trying to find out things which are not directly observable. Instead, an insider’s perspective is required to throw further light on the issues concerned and an interview seems to be an appropriate method for collecting such information as it has its “natural basis in human conversation and allows the researcher to adjust the pace and style of asking questions so as to bring out the best in the respondents” (Hannabuss 1996, p.5). Similarly, for Hakim (1991) the most fundamental qualitative method is the in-depth interview and Burgess (1982) argues that the interview is “the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience” (p. 107). Ultimately, Strauss and Corbin (1990) stress that an important argument in favour of qualitative analysis is that it “can be used to uncover and understand what lies behind any phenomenon about which little is yet known” (p.19). To complement this viewpoint Wilde (1992) refers to the interview as a continuous flow of negotiation which involves different participants in a bargaining process. The author claims that the extent of information exchanged between the interview partners depends on the investigator’s flexibility in creating an atmosphere conducive to open discussion and adjusting his role as the occasion demands. Yet, qualitative methods have attracted considerable criticism as, for instance, authors such as Allan and Skinner (1991) criticised qualitative methods for being impressionistic, non-verifiable and messy.

5.9.3 Types of interviews

Healey & Rawlinson (1993) as well as Wass & Wells (1994) distinguish between standardised and non-standardised interviews whereby the first type relates to interviews where participants are asked an identical set of questions in fixed order. This is similar to structured interviewing where the interviewer asks all respondents the same series of pre-established questions. The responses are limited and there is little room for variation except for when open-ended questions are used (Fontana & Frey 2003). The standardised interview intends to be factual and capable of providing data which could be quantified. In contrast, non-standardised interviews are less structured, and both the questions and their phrasing may vary from situation to situation. These interviews are most appropriate to explore new, sensitive or emotive issues. However, Wass & Wells (1994) do not exclude the possibility of mixing both interview styles even in the same investigation. Non-standardised interview seem to be similar to unstructured interviews, a term preferred by Fontana & Frey (2003). Such interviews are credited with providing a greater breadth of data due to their qualitative nature. In comparison, Elliott & Christopher (1973) distinguish between structured interviews, semi-structured interviews, in depth and group interviews.

5.9.4 Interviews in this research

In this study I chose a semi-structured interview approach with a questionnaire designed to provide a red thread for the conversation for me as the researcher, who is not a native speaker of French, but also for the entrepreneur. This approach had the advantage that it gave the interviewee the impression that I had prepared the interview, that I was knowledgeable about what I was researching and that I was pursuing certain objectives with my questions. I usually had sent a copy of the questions to the entrepreneurs before the actual interviews, but few had actually looked at it before I met them. This did not only serve to familiarise the entrepreneur with the questions he/she could expect but also aimed to assure the person of the seriousness, credibility and trustworthiness of the researcher. Clearly, the semi-structured interview also offered a high level of flexibility as the number of questions could be changed at any time and the contents adapted to the circumstances of the interview. This was in particular important in the early stages of the interviewing process when I started with the longitudinal study in February 2006 and the shorter cases in March 2006.

5.9.5 Practical aspects of the interviews

5.9.5.1 Period of investigation

The data was collected over a 24 months period. After some initial pilot interviews in February and March 2006 I conducted the majority of the remaining interviews in summer 2006, with some further interviews, also follow ups, in autumn and winter 2006/2007. Research on the longitudinal study started in February 2006 and stopped in May 2007 when the company was officially created. In this period I conducted 42 interviews of an average length of 1.5 to 2h with the entrepreneurs (see Appendix 5.4 for a detailed list of interview dates). On the basis of these interviews, I developed “mini ethnographies” (Anderson & Miller 2003), detailing the history and background of the entrepreneurs and the entrepreneurial network development throughout the different phases of the venture. Whereas these interviews supplied rich detail and thick description (Geertz 1973), I suggest that even too much information and data were generated, which needed a critical sifting through during the analysis and writing up.

5.9.5.2 Interview language and transcription

Given that the entrepreneurs are French and the interviews were being held in France, the language of communication was French. Whereas it was not envisaged to translate these interviews as much subtle meaning would have gone missing every interview was recorded and transcribed. Every entrepreneur had been asked for their permission at the start of the interview and every one of them had been granted anonymity and confidentiality of their data. The transcription of these interviews was done in part by me and in part professionally.

5.9.5.3 Follow-ups

In the majority of cases I conducted a second follow up interview which served to gain a deeper understanding of issues that had emerged from the analysis of the first interviews. Occasionally it was necessary to conduct third interviews due to the limited time the entrepreneur (e.g. SLB) made available to cover all the questions and conduct the repertory grid discussions. I also contacted all entrepreneurs in spring 2007 to validate the findings with regard to the phases’ models and the repertory grids. I will come back to this aspect later in section 5.13

5.9.5.4 Interviews with co-founders

As eight out of 14 cases were founded by a team I conducted a number of interviews with these co-founders, which usually took place after I had interviewed the first entrepreneur and I had acquired detailed and rich information about the venture, the phases and the people involved. However, my aim was to get an unbiased view from the second founder, so I never showed them any work done with the co-founder. I made sure that the information stayed confidential. Thus I could assure that there was no tension surrounding the information the founders had provided on different occasions. For the interviews with the co-founders I developed a modified version of the interview questions but I did not conduct the repertory grid analysis with them. The only exemption was PP as during the interview with him it became clear that he was the driving force behind the creation. Hence I asked for his support to conduct the repertory grid analysis.

5.9.5.5 The interview questionnaire

The questions emerged as a response to the entrepreneurial theory which I had been teaching and researching and the actual entrepreneurial reality which I had been exploring in my conversations with these entrepreneurs. The questionnaire, which can be found in Appendix 5.2, was subdivided into 6 sections that covered the following themes:

- General information about the entrepreneur and his associate (family background as well as professional and educational background)
- General information about the company (name, number of employees, etc)
- The process of enterprise creation – the different stages of enterprise creation, the different activities as well as the people involved
- Entrepreneurial characteristics, his/her aspirations as entrepreneur and the type of entrepreneur s/he thought s/he was
- Success factors of the venture as well as the obstacles or facilitators of French entrepreneurship

- The repertory grid

After the initial pilot interviews in February 2006 (with P& G) and in March 2006 (with NF and MB and AL at Centrale de Paris) I added a series of questions relating to the entrepreneur's definition of the term 'reseau' – network, their participation in 'associations' whilst at the management school, their participation in entrepreneurial projects such as the 'Projet Entreprendre' as well as a question asking them why they had chosen to attend a Grande Ecole over a university.

5.10 (Participant) observation

Over the period from February 2006 to June 2007 I visited the majority of all entrepreneurs on site (12 out of 14) and I was given first hand experience of their office surroundings, colleagues and employees. Only in two cases I met the entrepreneur at the ESC office in Paris, as it was more convenient for the person to be interviewed in the centre of Paris. Observation, also participant observation played a role in the longitudinal case study as I worked with the two young entrepreneurs on a variety of events such as the launch of a local incubator where we were invited to a round table covered by the local media. Furthermore they also invited me to the formal launch of their first prototype and since then I have integrated them in a number of round tables with entrepreneurs which I organised for postgraduate and professional audiences.

5.11 Kelly's Personal Construct theory

5.11.1 Introduction

The repertory grid analysis is based on the Personal Construct Theory (PCT) developed by the practising psychologist George Kelly (1955) and aims to illicit concepts defined in the participants' own words in a systematic way and enables comparison between construct systems. Personal construct psychology is a theory of individual and group psychological and social processes that takes a constructivist position in modelling cognition (Aranda & Finch 2003, Fransella 1988). Kelly's key question was: *How does a person, consciously or unconsciously, construe the world?* (Fransella 1988). This theory provides a fundamental framework for both theoretical and applied studies that seek the acquisition of knowledge, aim to measure attitude, personality and engage in cognitive mapping (Aranda & Finch 2003). As Fransella (1988) comment, Kelly's demand for the individual to be actively involved in anticipating events from the *inside out* was at his time revolutionary given the ongoing struggle against the then dominant

paradigm of complete determination from the *outside in*. Emphasis is on 'real-life' problems, given the primary purpose of enhancing the understanding of individual human action and the personal context from which experience originates. Kelly preferred this approach to the objective of testing theory for its own sake (Adams-Webber & Mancuso 1983), yet Jahoda (1988) emphasises, that Kelly found an approach to reach "a quantifiable description of individual uniqueness" (p. 4). Kelly's key postulate is that a person perceives the world in terms of whatever meanings this person applies to it. Given that human beings are free agents to make meaning of their realities this implies that perception depends not only on the presented stimulus but also on internal hypotheses, expectations and stored knowledge. The aim of PCT is to understand each person's unique view of the world by means of exploring their thoughts, feelings and beliefs (Cooper 1998). These are basic, but important elements to Kelly's theory.

5.11.2 The individual as scientist

A central idea of PCT is that all human beings are scientists with each of them having their own personal ideas, philosophies and theories about the world. On the basis of their personal theories human beings develop hypotheses which get tested, revised and then developed into theories with the underlying aim of making sense of these experiences (Adams-Webber & Mancuso 1983, Beail 1985, Cooper 1998, Jahoda 1988). Human beings understand the world in which they live by constructing a "personally organised system of interpretation or constructs of experienced events" (Beail 1985, p.1). Given that interactions with other beings are an important part of our lives, Cooper (1998) concludes that we are spending considerable time "trying to evaluate (or construe) other individuals in order to predict their likely behaviour" (p.11). As Kelly (1955, p. 591) concluded "it is the future which tantalises man, not the past. Always he reaches out to the future through window of the present".

5.11.3 Constructive alternativism

As Kelly (1955) suggests, different people construe differently and as a result there are differences between the models individuals build of how others will behave. The latter was called by Kelly 'constructive alternativism', which suggests that ideas are never to be 'institutionalised' (Adams-Webber & Mancuso 1983), but subject to revision and change. This allows any two individuals to construe the same event differently, yet the same person could also construe the situation differently in the future when the context

has changed (Adams-Webber & Mancuso 1983). This is indeed an interesting aspect as the research has shown that founders and co-founders had a different perception of the different phases of the entrepreneurial start-up as well as the different activities and ties involved (see Chapter 6 and Appendix 6.2 for the phases' models).

5.11.4 Three basic steps

As Cooper (1998) suggests there are three basic steps to be followed as part of PCT, which are: observing behaviour, trying to understand what is going on and testing whether this 'mental model' actually works, i.e. whether it can really predict other individual's behaviour in other situations. There are, however, some crucial aspects that need to be borne in mind. First, different individuals will perceive different features in others and second, an individual's usage of language may not be the same. Even though two people may use the same words, this does not necessarily mean that they refer to the same thing. Third, an individual's background and values will impact upon the way he construes behaviours.

5.11.5 The role of the researcher/experimenter

As Jahoda (1988) comments, Kelly wanted the experimenter to guess what the subjects were thinking, which is very different from most psychological experiments where the subject is guessing what the experimenter is looking for. This suggests reversed roles between the two parties. The experimenter is supposed to respect the individual and not impose any artificial frames of reference on this person (Fransella 1988). In fact as Adams-Webber & Mancuso (1983) elaborate, Kelly encouraged his research students to treat the individual involved in their experiments as active collaborators in the scientific enterprise. This is in line with the approach I have taken in this study as I encouraged the interview partners to actively design the phases' model with the different activities conducted. For this purpose I gave them a white sheet of paper with a few vertical lines that they needed to fill in.

5.11.6 Constructs

The fundamental concept of PCT is the construct. For Aranda & Finch (2003) constructs are concepts defined in the participants' own word and groups of constructs form individual repertory grids which can be presented in a matrix form. Constructs represent qualitative properties and the ratings are non-parametric values. As Beail (1985) comments, a construct "is our way of distinguishing similarity from difference –

thus a construct is essentially a discrimination which a person can make” (p.1). Kelly preferred to see constructs as bipolar which underlines the fact that we both affirm and negate something simultaneously (Beail 1985). Beail pointed out, however, that these constructs are organised into a system, in fact “they are linked, related and integrated into a complex hierarchical structure or system containing many sub-systems (p. 1). The repertory grid technique relies on semi-structured interviews where participants discuss specific stimuli such as objects, people and places. By comparing and contrasting these elements it is possible to map personal constructs (Aranda & Finch 2003). Kelly (1955) concluded that the development of a person’s construct system is vital to the person’s mental health and he recommended a relatively small, but well chosen and structured construct system in order to gain the best possibilities for predicting the behaviour of others. Construct systems are, however, not rigid, as the individual endeavours to refine them constantly. One important group of constructs are those related to one’s self, the so-called core constructs (Cooper 1998). Given the importance of the latter aspect I asked all interview partners to evaluate themselves on the concepts we had identified during the repertory grid discussions.

One of the criticisms aimed at Kelly’s theory is that he failed to distinguish between central and peripheral areas of a construct system. Central areas which would, for instance, relate to the construct of the self and which are, arguably, more important than others in understanding a person (Jahoda 1988). Furthermore it has been suggested that Kelly’s theory leaves the social unconceptualised and may take constructivism to its extreme. To overcome this possible shortcoming of Kelly’s PCT this study combined elements from both Social Constructionism and Constructivism as expanded on in sections 5.3.5.

5.11.7 Elements of the grid

Repertory grid technique is the methodological element of the PCT matrix. The grid was devised as a method for investigating personal construct systems. Its purpose is to provide some information about the way in which our system of personal constructs is evolving as well as shows its limitations and potential (Beail 1985).

In general such matrix tables contain

- **Elements: the presented stimuli for discussion**

- Constructs or concepts derived from the participants
- Ratings, i.e. hierarchical values assigned by the interview participant (Aranda & Finch 2003).

Beail (1983) refers to these ratings as ‘linking mechanisms’ as they show how each element is assessed on each construct.

One of the advantages of repertory grids is that although they contain qualitative data, they can be analysed statistically. Hence it is possible to identify correlations between elements within a grid and links between the grids themselves (Aranda & Finch 2003, Bryman & Bell 2000).

5.11.8 The RepGrid in this research

Beail (1985) suggests a five stage process for working with repertory grids which comprises:

- Eliciting elements
- Eliciting constructs
- Completing the grid
- Analysis
- Interpretation

Once the entrepreneurs had identified the different phases of the entrepreneurial venture, the activities and the people involved in these different stages, the Repgrid technique was briefly explained to them. In general there was great interest as this technique was unknown to them. The elements that were integrated in the matrix were the different individuals or organisations that had been involved in the different stages of the entrepreneurial venture creation process. If the interview partner referred to an organisation I usually insisted on identifying at least one personal contact. The names of the different individuals/organisations were then transferred to individual cards and the entrepreneur had to draw three cards randomly, which in the literature is referred to as the “triad” (Beail 1985 and Hunter & Beck 2000). Then the interview participant was asked to identify what two elements of the triad had in common and how a third was different to them. The key issue here was to identify the contribution of the different elements to the entrepreneurial process throughout the different stages of the

venture. The similarities and the contrasts that were identified throughout this exercise represent a bipolar description (dichotomous construct) (Hunter & Beck 2000). As Beail (1985) commented critically, the disadvantage of dichotomising is that it “does not allow for shades of grey” (p. 7). This problem is, however, addressed through a rank ordering of the elements according to the bipolar concepts. Once all cards had been dealt with, the interview partner was asked to rank the different elements with regard to the identified constructs on a scale from 1 to 5. Five was meant to indicate the highest; the most positive end of the scale and 1 the lowest/the negative end. As Beail (1985) points out, ranking has much more potential to discriminate the data than the dichotomous method, the downside is, however, that the interview partner may be obliged to indicate differences between elements where there are none. Interview notes were taken throughout the negotiation of the repertory grids and the conversation was audio taped.

5.11.9 Analysis of repertory grids

Repertory grids can be analysed qualitatively and quantitatively. In this study the quantitative analysis is, however, restricted to the individual analysis of one grid. Whereas intra grid analysis is no problem, inter grid analysis is not possible. After I had studied the advantages and disadvantages of several packages such as, for instance, ENQUIRE WITHIN I eventually acquired a German software package called GRIDSUITE. The latter came out best in terms of pricing, functionality and ease of handling. After having worked with the software I also like to add the excellent customer service in case of problems. In terms of statistical analysis the programme can produce a principal component and cluster analysis for individual grids, yet there is no possibility to compare across grids. I conducted both a qualitative and quantitative analysis of the repertory grids, of which the findings are presented in Chapters 7-11.

5.12 Data Analysis

Different researchers have suggested different ways of analysing qualitative data, one of them is *Grounded Theory*. Grounded Theory was ‘invented’ by Glaser and Strauss (1967) who saw the task for the researcher as having to develop theory through ‘comparative method’, i.e. investigating the same event or process in different settings or situations. Since the first launch of grounded theory both Glaser’s and Strauss’s points of view have, however, developed (Easterby Smith et al 2008). Whereas Glaser advocates that the researcher should be free from any pre-suppositions and should allow

ideas ‘to emerge’ from the data (Glaser 1992), Strauss is in favour of the researcher familiarising himself with prior research and using a structured approach to sense-making (Strauss 1987, Strauss & Corbin 1998). Given that I advocate an approach where the researcher is *not* free of any preunderstandings (see section 5.4 and Figure 5.1) I share Strauss’ standpoint that it is useful to be informed about already existing research and theories. At the same time, I do, however, agree with Glaser’s notion of letting the data speak. Although I cannot pretend having followed *all* the steps proposed by Corbin & Strauss (1990), I have adapted many of them to facilitate a systematic analysis of my data. The different processes I will describe do not claim to have happened sequentially. Instead much of it has happened parallel to each other.

5.12.1 Data collection and analysis as interrelated processes

As Ghauri (2004) comments, interpreting and analysing qualitative data obtained through case study research is one of the most difficult tasks and recommends a mix of different strategies such as pattern seeking, clustering and matrices. Arguably in qualitative research we are rather looking for authenticity than reliability which implies that in addition to understanding the position of the individual/group we also need to consider the context in which the data has been produced (Hammersely & Atkinson 1983). The answer to the question of how best to produce an authentic interpretation of a case lies, according to Ghauri (2004), in ensuring that data analysis and collection are closely interrelated processes, which is in line with Miles & Huberman’s (1994) postulate that data collection and data analysis should be mixed right from the start of the research project. As Corbin & Strauss (1990) emphasise, data analysis begins with data collection, and the former is supposed to provide further guidance for next interviews. Every concept is initially considered as provisional and must earn its place by being repeatedly present in interviews, documents and observations. The result should be concepts grounded in real data providing “theory-observation congruence or compatibility” (Corbin & Strauss 1990, p. 7). My case analysis followed the recommendation to mix the data collection and analysis process very closely right from the beginning of the research in order to test the appropriateness of the interview questions, but also in order to inform further cases. As a result, second and third interviews were informed by first interviews for which I had established a semi-structured interview format (see section 5.9.3).

5.12.2 Writing a case description

In this research study I followed Ghauri's advice and wrote a case description and explanation as first step of analysis. This helped me to understand what the newly created business was about, who was involved in the venture and when, yet this also provided the necessary information to establish a phases' model for each case. Furthermore in some cases I illustrated the relationships between the founder and his network contacts using Power Point models, if this proved to be too complicated such as in JMB's case I drew a map to clarify relationships. I had also tried to map the contacts in UCINET, this did, however, not prove very useful as I was rather looking for qualitative information relating to the three dimensions of social capital than simple quantitative information such as frequency of contact between network members and density, for instance. Short case descriptions can be found in Appendix 5.1.

5.12.3 Sifting process and constant comparison

The second step in line with Ghauri (2004) is a sifting process which suggests that the researcher rearranges the data that has been collected in a more conceptual manner. Coding, i.e. classifying the data, is an important part of this process. Coding and categorisation are supposed to help the researcher interpret the data, identify themes and trends related to the guiding research questions (Ghauri 2004). My starting point was a line by line analysis (Charmaz 1994) in order to reveal the different themes that emerged from the data. Given that I had designed a semi-structured interview it was only logical that the major themes/categories that emerged from the coding corresponded largely to the guiding questions, which is in line with Perry (2001). I then arranged these themes/categories and the corresponding subthemes/subcategories in an EXCEL file; I conducted the same process for 2nd and 3rd interviews as well as interviews with co-founders. This made it possible to follow the advice of Miles & Huberman (1994) as well as Corbin & Strauss (1990) regarding constant comparison across the initially 14, later 13 cases. In addition, this process helped to ensure consistency and protected me, to some extent, from bias in my analysis. As a result of the constant comparison method I could identify commonalities and differences between the cases (inter-case analysis), but also relationships and overlaps between themes within a case (intracase analysis). Whilst conducting this analysis I established a meta matrix (see Appendix 5.3) for all cases covering aspects occurring within and across the different cases. This matrix served as an important visual tool as I put it up on the wall in my study where it acted as a constant reminder of the different

themes/categories I had identified. This meta-matrix and its corresponding themes/categories were later reanalysed in line with the four key research questions guiding this study (see Chapter 1). Themes/categories not relevant to the research questions were later discarded, but may be used in further research.

Having established the core themes/categories in common to all cases I then followed a simple procedure where I systematically cut all the different quotations appertaining to a particular entrepreneur and a particular core theme and created a new word file entitled, for instance, NF FAM. In this word file I would locate all data respective to NF's family. I would repeat the same procedure for the remaining 13 entrepreneurs. All fourteen files containing information about their family members would then be merged and reanalysed to identify the commonalities and differences. In this particular context I applied 'axial coding' which aims to establish links between a category and its subcategories. Taking, for instance, the category 'Family' the analysis showed that the family would push the entrepreneur to get a good education, foster entrepreneurial characteristics but also act as a deterrent to entrepreneurship. Through axial coding I could realise that these attributes related to the different roles of the family. As a result, a family environment that would set a negative role model could act as a deterrent to entrepreneurship. Table 6.1, which relates to the analysis of the relational dimension, and Appendix 7.1, which shows the role and contributions of family ties, are the product of such an analysis.

5.12.4 Cluster development

As Ghauri (2004) suggests, researchers should aim to identify clusters of cases. In this study I recognised a number of different clusters that shared certain characteristics. One cluster was sole founder creations versus team creations and I initially wrote up the findings according to this distinction. A second cluster was formed by the two ventures that had been created within a Grande Ecole context, one had been the longitudinal (P&G) and one had been a retrospective case study (MB & AL). A third cluster emerged within the sole founder cases as three of these founders had used French legislation to create a business out of unemployment. Initially I wrote up these clusters separately, found, however, considerable repetition and overlap which were unsuitable for a final version of this thesis. I eventually decided to follow the thematic analysis described earlier and wrote up the findings accordingly ignoring the different clusters of cases. This approach was justified given the repetitive character of the information.

Thus, although I initially endeavoured to follow Miles & Huberman's (1994, p. 176) 'stacking comparable cases' strategy where the researcher is to write up each of a series of cases, using more or less standardised variables, I aborted this initiative as it proved to be unsatisfactory for this particular study.

5.12.5 Writing up

The final writing up process included references to prior theory from the literature review relevant to the findings from the longitudinal and retrospective cases. One of the key recommendations of Ghauri (2004), was the need to move up the 'ladder of abstraction'. Whereas my starting point was the coding and categorisation of text, I later identified certain trends in the data as well as relationships between categories and subcategories, which resulted in models I present in Chapters 6-11.

5.13 Validity and reliability

The Social Constructionist perspective has been the main guiding framework for this research study. As it works on the assumption that there is no absolute truth (Easterby Smith et al. 2008), it charges the researcher with the task of establishing how various claims of truth and reality are constructed in daily life, yet as Silverman (2000, 1993) comments, qualitative researchers need to protect themselves against criticism such as 'anecdotalism' (p. 177). Hence validity, which Gummesson (2000) defines the term as "the extent to which researchers are able to use their method to study what they had sought to study rather than (...) studying something else" (p. 91), is an important aspect for any researcher.

To address issues of validity Silverman (2000) suggests two possible approaches, method and data triangulation and/or respondent validation. As mentioned earlier triangulation was an important element of this study as data obtained from semi-structured interviews and repertory grids as well as access to documents (such as the different editions of the *Journal des Anciens*) as well as observation of entrepreneurs during round tables were used to confirm and contradict the findings. Interviews with co-founders also added another dimension to the research illustrating multiple perceptions of reality in line with the Social Constructionist paradigm. Furthermore the research benefited from a systematic respondent validation process as I approached all of the entrepreneurs in spring 2007 and presented them with the phases' model that had been established throughout the interviews. I asked for verification and potential

modifications in terms of timing of the phases, involvement of people and activities associated with the phases. In addition, I contacted all the entrepreneurs with whom I had negotiated a repertory grid to conduct a self-assessment on the basis of the criteria established for the other network members.

Different from Silverman (2000), Yin (1994) distinguishes between construct, internal and external validity and reliability. Following Yin construct validity is about developing suitable operational measures in order to explore the concepts being studied. Construct validity can be achieved, for instance, by combining multiple sources of evidence, establishing a chain of evidence and/or asking key informants to review a first version of the case study report. In this particular case study I obtained construct validity through triangulation as I explained earlier.

Internal validity is about the accuracy with which the data has been collected and raises questions about the rapport between cause and effect of the different relationships that were discovered (Yin 1984). In order to fulfil this criterion I described the context of the different cases and gave full details of the date and length of the interviews.

In comparison, external validity is about the question as to whether and to what extent the research findings can be generalised beyond the scope of the cases to the general population, in this case French entrepreneurs. This research was based on a multiple case approach which applies a replication logic. A single case analysis would not have been appropriate given the aim to propose a phases' model for the pre-organisation stage, which was intended to be the basis for the further investigation into the relational dimension of social capital. Hence the rationale for replicating the same inquiry in 14 cases was to establish a rich theoretical framework resulting in a phases' model appropriate for the pre-organisation stage. The model presented in Chapter 6 has the potential to be of a generic nature, yet it would benefit from further empirical testing, possibly of a quantitative nature.

The last criterion 'reliability' deals with the aspect of how consistently a technique can measure concepts and to what extent other researcher can obtain the same results (Gummesson 2000, Yin 2003). As Perry notes (2001), reliability is about the extent to which research can be audited. I can prove the reliability of my data by providing access to the semi-structured interview questionnaire, evidence of transcribed texts, the

meta template I created as well as the different conceptual models I built (see Chapters 6-10). In addition, I detailed the way I selected cases and analysed the data.

5.14 Computer-assisted analysis

Although I acquired Nvivo in autumn 2006 and initially tried to apply it to the research I felt that it removed me too much from the data and given my epistemology I felt that this was a disadvantage. A further problem was the incompatibility of the French files with the English software package and I eventually abandoned the data analysis via a software package.

5.15 Ethical considerations

Silverman (2000) points out that already Max Weber (1946) highlighted the problematique that all research is contaminated by the values of the researcher, yet it is only through those values that certain problems get identified and explored in certain ways. As Silverman (2000) emphasises, it is not only the values of the researcher that are important but also the fact that the researcher bears a certain responsibility to the objects studied, in this research the entrepreneurs who had agreed to be interviewed. I sought consent from the interview partner to record the conversation, but I also sent them a copy of the transcribed interviews. In the majority of the cases the entrepreneur was, however, reluctant to receive such a copy as they thought that further work was associated with it. I had also asked for the entrepreneur/s' views on the use of their names in the dissertation and further publications. Whereas the majority did not mind having their names published, there were a number of cases such as R and BS and NFi, who were extremely concerned about the confidentiality of the information provided, even to an extent that the entrepreneur did not want to reveal the nature of his/her business. As I respected the different standpoints of my interview partners I decided eventually to keep all company names and network contacts anonymous. Furthermore I intend to provide a copy of any article, that I will publish in the future, to the entrepreneurs, before it goes into press.

5.16 Issues of reciprocity

An important issue, rarely commented upon, is reciprocity. As the entrepreneurs had given me their time and considerable information I was asked on another of occasions to reciprocate these efforts. I translated, for instance, promotional information for some

entrepreneurs free of charge. Furthermore I used my own network contacts to promote their entrepreneurial ventures.

5.17 Limitations of the study

Whereas repertory grids have an important potential in revealing the underlying perceptions of individuals in their environment and they have certainly been an appropriate tool for exploring social capital within the context of entrepreneurial networks at the pre-organisation stage, the tool has proved to be very time-consuming and difficult to administer with those entrepreneurs who did not necessarily have the time to invest in such an intensive research method. In particular SLB's case was such an example. Should repertory grids be reemployed in a similar entrepreneurial context this constraint should be taken into consideration.

5.18 Conclusion

This Chapter has discussed the importance of different philosophical stances in relation to the research and has highlighted the appropriateness of a multi-method approach within combined Social Constructionist and Social Constructivist perspectives. Further I emphasised the importance of pre-understanding within my study and I shed light on the aspect of process studies in entrepreneurship. Given that researchers (such as Fletcher 2006) have argued that social construction processes have often been marginalised in entrepreneurship, this study responds to a growing demand for more such research. I pursue a multi-method approach which consists of case study research with embedded interviews, (participant) observation and repertory grids. This combination of different methods facilitates triangulation as a means of verification and validation of data. The case study design combines both longitudinal and retrospective approaches, which represents an interesting aspect of this study, rarely pursued by other researchers, as highlighted in the literature review in Chapters 3 and 4. One of the novelties of this study has been the use of repertory grids which, to my knowledge, have not been fully exploited in entrepreneurship research and thus contributes to extant knowledge in the field. Furthermore I illustrated the highly systematic data analysis which has resulted in a number of models that endeavour to show the relationships that exists between different variables that have emerged from the data analysis (see Chapters 6-10). Validity and reliability have also been given due consideration as well as the ethical side of conducting entrepreneurial research.

Having clarified the ontological and epistemological grounding of this research study as well as the methodology and methods chosen in line with this approach the following chapter will present the findings from the analysis of the structural dimension of social capital.

Chapter 6: The structural dimension of social capital

6.1 Introduction

The preceding chapters have set the background for this study (Chapter 2-4) and the literature review has highlighted the gaps that this research intends to fill. Chapter 5 illustrated the methodological approach and the philosophical stance I have taken for this study. The following four chapters present the findings relating to the three dimensions of social capital: structural, relational and cognitive and the respective research questions associated with each dimension (see Chapter 1). This Chapter deals with the structural dimension and hence answers the question who the entrepreneur liaised with at what stage of the pre-organisation.

As the literature review in Chapter 4 has shown, social capital is typically seen as having two key dimensions, a “structural” and a “relational” dimension, the cognitive dimension was only added recently. The most important features of the structural dimension of social capital are the presence or absence of social interaction ties (Scott 1991, Yli-Renko 1999), network configuration (Krackhardt 1989, Nahapiet & Ghoshal 1998), or morphology (Nahapiet & Ghoshal 1998, Tichy et al. 1979), which describe the pattern of linkages in terms of density, connectivity and hierarchy. As a result, the structural dimension covers any aspects relating to size, diversity, density, centrality, legitimacy as well as the dichotomy of strong versus weak ties. As Liao & Welsch (2005) concluded, the “structural dimension is the most basic form of social capital, it represents the origin for the emergence of relational and cognitive dimensions of social capital” (p.352).

Given the interrelatedness of the different dimensions of social capital (Steier 2001), an investigation of its structural dimension with its focus on the entrepreneurial network structure, is a prerequisite to establishing further information that would assist with the analysis of both the relational and cognitive side of social capital. Hence this Chapter provides the basis for understanding the relational and cognitive dimensions of social capital (Chapters 7 to 10).

This Chapter is divided into two major sections: the first part deals with the phases’ model, as it emerged from the interviews with the entrepreneurs and I will use the relevant literature, which I reviewed in Chapters 3 and 4, to contextualise my findings. I will also comment upon the different perceptions of the phases by the different co-

founders and possible overlaps between the phases. The second part of this chapter illustrates the findings from the structural elements' analysis including network size, diversity, quality and strength of ties. I will propose a second model integrating the different types of ties in the different stages. Furthermore I will expand on the reasons for the small size of the network and I will underline the calculative approach to networking pursued by the entrepreneurs.

6.2. Boundary setting

As the literature review in Chapter 3 has shown, different authors used different indicators to determine whether and when a company had been created. Hite & Hesterly (2001) followed Gartner et al. (1992) and Gartner & Brush (1999) who suggested that the emergence stage begins with the legal creation of the venture. In comparison, for Hansen (1995) the first recruitment marked the beginnings of an organisation. In this study I considered the start-up phase as completed when the venture was officially launched, which in some cases was different from the legal creation date. In the case of E, for instance, the restaurant was opened in January 2005, but the company registered in December 2004. The period in January 2005 represented the official launch of the venture (see Appendix 6.2 for E's phases' model). As Appendix 6.1 shows, for some entrepreneurs the launch of the venture represented a point, for others a period in time, an aspect not yet highlighted by the existing literature, yet representative of the entrepreneurial reality. I will come back to this issue in section 6.5.

6.3. Classification of cases: sole founders vs. team creations

As stated in Chapter 5 the initial research was based on fourteen cases, yet I only analysed thirteen cases for the purpose of this study due to the reasons explained earlier. These thirteen cases were categorised as either sole creations, of which there were six, and team foundations, of which are seven. In all thirteen cases I have investigated former ESC Rouen students, i.e. Anciens. In each team foundation we have at least one founder from the Management school. Among the six sole founders we find three unemployed entrepreneurs, NF, JMB and GK who benefited from a new French law, the Loi Dutreil, to set up their own company whilst unemployed (see section 2.5.1). They received their unemployment benefits for a period of 18 months which arguably provided them with financial security. Among the team foundations we find two cases where young entrepreneurs, between 22 and 25 years old, with very little

professional experience, created their venture within the framework of a French Grande Ecole. The findings of these cases are integrated in Chapters 7-9.

6.3.1 Partners out of necessity

Among the remaining team foundations we have two cases where the co-founder is a silent partner. This is the case for BS and NFi, the latter provides the finance but he is not involved in the entrepreneurial start-up. The second case is JMB and F, with the latter playing a very limited role as he simply represents the second person needed by French law to found a SARL (see section 2.7 for further explication). In both cases the team foundation is driven by practical considerations such as financial or legal requirements, which explains the very limited involvement of the co-founder in the entrepreneurial start-up. I visited BS and Nfi in December 2006 in London when they met to discuss further funding for their entrepreneurial project. It was very clear that NFi's contribution to the venture was limited to the financial side of the venture, with, however, a view to possibly extending the venture to the United Kingdom and NFi assuming a more active role at a future stage.

6.3.2 Equal partners

There are a number of cases where two people developed their entrepreneurial idea together and created a team of equal partners such is the case for SLB and MA as well as E and JT. SLB and MA are both former colleagues. In the case of E and JT a passion for food drove both founders to set up their own restaurant in the heart of Paris. This venture is one of the three cases where the entrepreneurs agreed to sell the venture, due to irreconcilable differences. AC set up an Internet company in 1999, which was under a hostile take-over bid by a large international company in spring in 2007 and he later sold his business. Similarly, GK sold his venture in summer 2007 to a large international competitor.

6.3.3 Dominant partners

Different from those entrepreneurs who develop an entrepreneurial idea *together* we also find a number of team foundations with one dominant partner such is the case for PP and CB, PL and LS. PP spotted the opportunity and asked CB to join him in his entrepreneurial venture. The situation was very similar to PL who took over an existing business model from a former colleagues and later asked LS to join him. All entrepreneurs do stress, however, the complimentarity of their partner. In all these

cases the creation seems to be driven by opportunity. LS and PL represent the only case where we are dealing with two serial entrepreneurs, which according to Davidson & Wiklund (2001) is an example of a behaviour-based categorisation. Arguably, the aspect team foundation may impact both the network structure, i.e. the structural, but also the relational dimension of social capital, as I will further discuss in Chapters 8 and 9.

6.4 The phases' model as a structure for identifying the entrepreneurial network

As already highlighted in Chapter 3 there is strong evidence that research on entrepreneurial network dynamics has preferred to impose an already existing phases model, also often referred to as a life cycle model, developed for the small business sector. Given that these models were not specifically created for the entrepreneurial preorganisation stage I argue that their applicability to the entrepreneurial venture and in particular the pre-organisation stage is limited.

With view to the lack of the research focussing on the entrepreneurial networks at the pre-organisation stage this study took a novel approach asking the entrepreneur/s to identify the different phases of the entrepreneurial start-up, the different activities in these different phases and the people involved. This approach avoided imposing an already existing small business model on the pre-organisation context, which was expected to lead to a better understanding of the different phases of the entrepreneurial venture prior to start-up, seen from an entrepreneur's point of view.

The analysis of the different phases' models (see Appendix 6.2) has shown that 13 out of 19 interviewees identified a three phases' model for the entrepreneurial start-up, which is very similar to Wilken's three-phase-model and Greve & Salaff's modified version. In addition, one entrepreneur (AC), who set up an Internet company suggested a one-phase model for his creation; a second entrepreneur, NF, found a two-phase model appropriate for his creation. Four entrepreneurs (PP, AL, E, and R) identified pre-phases, yet only in R's case we find two pre-phases. In all cases except for PP, the entrepreneurs took their time educating themselves and acquiring the necessary competences to create. E went through a long training period to obtain the necessary competences for her entrepreneurial project: CAP cuisine and CAP patisserie, which are French professional cooking and bakery qualifications. AL took a year out and

went abroad and it was during this time that the idea grew to create his own business; the actual idea was, however, developed later. R wanted to create his own company since he was a teenager and he structured his educational and professional career accordingly, systematically acquiring the competences he needed. He did, however, not have a concrete entrepreneurial idea, this emerged much later. In PP's case the entrepreneur took one year to find the idea. At the time he was still working for company S where he experienced serious problems with the management. The idea he later developed for his business was initially planned for his employer. These four cases show that some entrepreneurs included an initial preparatory phase where they underwent training of very different length (from one to several years) and of different nature. The nature of the preparatory training clearly depended on the type of entrepreneurial venture they wanted to establish.

Among the thirteen cases we also find two Internet start-ups, i.e. the cases of SLB and AC. Whereas the latter identified only one single start-up phase (see Appendix 6.2 for his model), SLB's model is built upon three phases. The difference between these two ventures relates to the fact that AC brought an existing business model with him from the US which he wanted to apply in a French context, whereas SLB developed his own business model and included the phase of idea development in his model. AC's one-phase entrepreneurial start-up phase lasted for 3 months. AC's venture may belong to what McDougall & Oviatt (1994), called 'born globals', companies that target a global market right from the start, which may explain the one-phase model.

Table 6.1: Overview over the individual phases' models	
1 Phase model	AC – Internet company
2 phases model	NF
3 phases model	P&G, MB&AL, YC, GK, JMB, PL&LS, BS, SLB, NF, CB, JT
4/5 phases model	PP (1 pre-phase) AL (1 pre-phase) E (1 pre-phase) R (2 pre-phases)

6.5 Activities in different phases

I had also asked the entrepreneurs to give a title to the different phases and list the different activities associated with the phases. In phase 1 the entrepreneurs identified three main activities: reflection, finding the idea and meetings. Reflection was mentioned by JT, JMB and GK; their period of reflection lasted from 1 month to 2 years. The majority of entrepreneurs such as LS, SLB, BS, AL, YC and P & G called the first phase 'finding the idea'; in general the phase lasted from 1 month to 6 months. Two founders PL and NF called their first phase 'meeting', as the start-up started with either the meeting of the founders in the case of PL and LS or with systematically meeting potential clients such as in the case of NF. There is no period of reflection in the case of AC as he applied an already existing business model in the French context.

In phase 2 the interviewees identified three key themes: idea-related activities such as validation and realisation, testing and practical aspects such as financing, canvassing, conducting a market study and writing a business plan. Entrepreneurs such as JT, PL, PP, R and P & G mentioned idea-related activities such as validation and realisation, this phase lasted from 6 to 18 months. Three entrepreneurs E, MB and LS highlighted the importance of 'testing' their concept as main activity. For E this was a point in time when she used her family and close friends as guinea pigs to test her restaurant concept, for MB this phase lasted for 15 months. The difference in duration may be explained by the fact that MB's entrepreneurial idea required much more technical input and the development of a prototype than E's creation of restaurant in the heart of Paris.

A number of entrepreneurs such as AL, CB, NF, YC, GK and MB mentioned practical aspects such as financing, canvassing, writing a business plan and conducting a market study, as key activities in their second phase. For them this phase lasted from 1 to 12 months. Two entrepreneurs, BS and JMB, experienced their second phase as '*transition*', transition because they had officially given notice and used the time whilst still working for their employer to create their company (moonlighting). Hence the term transition refers to the change from employee to entrepreneur status. This phase lasted between 3 and 9 months for JMB and BS respectively; three months because JMB had a three months period of notice. Although the same was the case for BS, the latter took much longer to revive a dormant firm.

As is shown in Appendix 6.1 all entrepreneurs except for NF called their last phase '*lancement*', i.e. launch. This phase generally lasted from one to twenty-one months. For two entrepreneurs, SLB and PP, the launch was a point in time.

Some entrepreneurs identified post-start-up phases such as NF, who established a Steering Committee two years, and tried to enter a GIE (*groupement d'intérêt économique*) four years after the creation. The GIE is a legal entity in France with proper contractual agreements between the different parties concerned. Similar to NF, GK set up a Steering Committee 9 months after the launch of his company and JMB tried to set up a GIE himself, yet later dropped the idea as he agreed to sell a part of his. I will come back to the post-start-up phase in section 6.8. Appendices 6.1 and 6.2 give a full summary of the detailed information on the phases for each entrepreneur.

6.6 Different perceptions of phases in team creations

As already mentioned earlier in this Chapter seven out of the thirteen cases I explored for this research were team foundations. As could have been expected the views of the co-founders did not always coincide in terms of the number of phases, the key activities and the duration. In addition, there were some differences in terms of the people involved in the venture. Clearly, the phases and the people identified by the entrepreneurs give an indication of how involved the individual was in the venture creating process. In the case of PL and LS, for instance, LS joined the venture in the second stage of the venture, as is shown in PL's phases' model (see Appendix 6.2). Of course, LS has his own perception of the phases, as shown in Appendix 6.1. In the case of AC and his associate H, H joined the former 5 months after the actual creation of the company. I did not interview H, given that he had not been involved at the pre-organisation stage and this study did not consider any post-start-up activities..

Discussing the possibility of different perceptions of the phases model with MB during an interview on 02.03.2006 he commented:

I imagine everybody has their vision, I don't know what everybody wants to do.. (J'imagine que chacun a sa vision, je ne connais pas ce que chacun veut faire...)

He later picked up on this idea again in a second interview when we were discussing the different phases on 26.07. 2006 and he reflectively remarked:

I.., well I see it like ; I don't know whether I necessarily have the same view as my colleagues. I, I see (these phases) ending essentially...). ('Moi, je la vois comme... Je ne sais pas si j'aurai forcément la même visibilité que mon collègue'. . Moi, je la vois terminer essentiellement en...)

Having interviewed both co-founders certainly adds to the quality of the data obtained but also leads to a more complex picture of the venture creation process. Each phases' model represents one reality, the reality of one entrepreneur which implies that there will necessarily be differences in the perception of the phases, the activities associated and the people involved. Indeed it would be very unlikely for two people, although involved in the same venture, to identify the same stages or same people, unless they are interviewed together, which was the case for P and G where I achieved consensus on the entrepreneurial venture development, the different phases, the associated activities and the people involved.

6.7 The question of overlap between the phases

Existing small business growth models tend to assume a linear development (Kazanjian & Drazin 1989), yet as the following examples will show this was not always the case. In fact, a number of entrepreneurs commented upon the overlap between different phases, among them was MB. He highlighted an overlap between phases two and three:

From September 2003 to September 2004. Thereafter, this one, from September 2004 to.. This would be up to December 2005... Yes. And afterwards, this one. This one overlaps a bit with this one, in fact. It overlaps a bit with this one. I would say... Yes, I would say from September 2005 and up to ... up to... (De September 2003 à September 2004. Ensuite celle-là, donc, de septembre 2004 à... Ça, ça irait jusqu'en décembre 2005. ... Oui. Et après, celle-là... Celle-là, elle chevaucherait un petit peu celle-là, en fait. Elle chevaucherait un petit peu celle-là. Moi, je dirais... Oui, on va dire September 2005 et jusqu'à... Voilà. Jusqu'à...? (interview with MB 2.03.2006)

Likewise YC, who, when asked whether there was some overlap between the different phases, did not hesitate to confirm this:

Yes, indeed there is some overlap here (Oui, ça se chevauche un peu) (interview with YC on 29.01.2006).

The overlap between different phases was also highlighted by PP who indicated parallel marketing and finance activities in phase 1, MB commented on overlap between phases

2 and 3 and YC on overlap between phases 1 and 2 (see their individual phases' models in Appendix 6.2). In addition, AC emphasised that the development of his company had not been linear but driven by opportunities. This case is, however, special as AC created a global Internet company and the entrepreneur identified only a one-phase model for the start-up. Hence I suggest that this cannot be considered a generic model.

The potential overlap between the different phases also finds a reflection in Greve (1995) who underlined that the different phases in Wilken's (1979) model may not be equivalent and entrepreneurship may not progress through each phase equally. In fact, the borders from one phase to another may be blurred and the distinction between the phases may not be automatic (Greve 1995) or some phases may appear simultaneously (Schutjens & Stam 2003).

6.8 Going beyond: Interorganisational networks

As highlighted by Butler & Hansen (1991), entrepreneurial firms develop strategic networks, which may be inter-organisational in nature, in the third phase of the venture. In the case of JMB and NF we see an illustration of this process. JMB attempts to create a GIE In 2006, a bit more than one year after the actual start-up. Similarly, in a deliberate attempt to diversify his existing network and create a more diverse professional network NF chose to enter a GIE. He explained:

The fourth phase (of my business venture) is what I am developing at the moment, which is a phase of the professional network. Take, for instance, the 'Club des Entrepreneurs' (entrepreneurial business club), this is a way of developing my network, to network for the company and for myself. I am also in the process of joining a GIE, which is a regrouping of communication agencies, in fact these are service agencies for business. Once agency is a PR agency, another deals with recruitment/head hunting and another focuses on management consultancy. Finally there are 7 or 8 companies in the GIE. I am trying to find a way to create a professional network, it is no longer a personal network but a business network for the company. This is for the development of the company as sooner or later the company arrives at a certain level of maturation and it needs to continue on its own.. Let's say it is no longer NF who is part of the network, but it is CI which is part of the network. It is no longer NF who is in contact with the network but it is the company that enters the network.... It is another level of network. Apart from that it would be the commercial director who joins the GIE, not me (Et la phase quatre c'est la phase que je suis en train de mettre en place aujourd'hui, qui est une phase de réseau professionnel. Donc par exemple le club entrepreneur, c'est le moyen de développer du réseau, de faire du networking pour l'entreprise et pour moi. Je suis en train d'adhérer aussi à un G.I.E. , qui est un regroupement d'agences de communication enfin d'agences de service pour les entreprises on va dire . Il y a une boîte qui fait des relations publiques, une autre qui fait recrutement/chasseur de têtes ou aussi conseil en management. Enfin on est sept ou huit on forme un G.I.E. J'essaye aussi de trouver des moyens de me créer un réseau professionnel. Car là ce n'est plus un réseau privé mais c'est vraiment un réseau business pour la boîte. C'est pour le cas du développement de

l'entreprise. Car il y a un moment où l'entreprise arrive à un certain niveau de maturité et il faut qu'elle existe par elle-même...C'est plus CI qui s'inscrit dans un réseau que NF. Ce n'est plus NF qui est dans un rapport de réseau mais c'est l'entreprise qui rentre dans un réseau. ...C'est un autre niveau de réseau. Et d'ailleurs ce ne sera pas moi mais le directeur commercial qui ira au G.I.E. (interview with 01.03.2006 with NF).

Whereas NF emphasises the GIE as a way of creating a professional network separate from his personal network, JMB is more interested in advantages such as knowledge transfer, information exchange, acquiring new competences and obtaining greater credibility through the GIE. JMB explained the principle of the GIE. In his case a number of companies would collaborate together and agree on a contract which would stipulate in detail what kind of information and services each partner would contribute and receive. The aim is to exchange contacts in a bilateral and reciprocal way and the person/company that provides the information receives a commission. In JMB's case the companies did not know each other but he was the trigger for the creation of the GIE. He illustrated his case as follows,

Well we are small companies and we want to try to group them together to gain more credibility and exchange information. It is obvious that each of us when we work for a club, we create links with particular club. I, for instance, know the club, CL, very well. Let's take the young guy who deals with the merchandising, he is very close to the Club de Paris, but I don't know the club at all. So we want to get together, so that we can benefit from each other's contacts (Donc nous, on est plein de petites sociétés et on va plutôt essayer de se grouper pour avoir plus de crédibilité et échanger beaucoup d'informations. Parce qu'il est évident que chacun, quand on travaille avec un club, il se crée des liens avec ce club-là. Moi, le club de Cl, je le connais particulièrement bien. Et celui... Le jeune qui s'occupe de merchandising, lui, il est très proche du club de Paris, par exemple. Mais moi, le club de P, je le connais pas du tout. Donc, en se mettant ensemble, bon, on va bénéficier chacun des connaissances de l'autre. (interview with JMB on 18.05.2006).

During a later interview in August 2006 JMB told me that he had dropped the idea to create a GIE due to difficulties in coming to an agreement between the different companies concerned, plus the imminent sale of a substantial part of his business so that he could take up full-time employment at the club CL.

These two cases have illustrated a venture's post-start-up development and confirm the creation of an inter-organisational network, i.e. strategic network, in line with the model developed by Butler & Hansen (1991). As, however, the focus of this thesis has been on the pre-organisation stage, I will not give further attention to the GIE although it is certainly an interesting topic worth pursuing beyond this thesis.

6.9 Issues of detachment: personal versus professional network

Closely related to the development of inter-organisational networks is the question of the detachment of the owner from his venture, an issue Churchill & Lewis (1983) had already picked up in their phases model. They had suggested that throughout the five different stages of small business development (from Existence in stage I to resource maturity in stage V) the relationship between the business and the owner would change. Whereas in particular in stage I (existence) “the owner *is* the business” (Churchill & Lewis 1983, p. 32), performing all important tasks, in stage II (survival) owner and business would virtually be the same with the business being slightly more important. The relationship between the business and the owner would change eventually, with the owner losing gradually in importance, so that in the final stage, V, the resource maturity stage, the business would be most important, yet the owner of very little impact. Management would be decentralised, the company would be adequately staffed and systems extensive and well developed. As Churchill & Lewis (1983) suggested, owner and business would be quite separate, both in financial and operational terms.

Bearing Churchill & Lewis’ (1983) model in mind, I would like to comment on a number of cases where entrepreneurs such as CB, for instance, at the beginning of our first interview in May 2006, asked: Whose point of view do you want, mine or that of the company? Later he pointed out a possible confusion of interests between the individual and the entrepreneurial venture. When I mentioned that this issue had not been brought up by any other entrepreneurs, CB explained that the personal network and the company network are really very different.

CB: Well, because these are two different notions. It is really at the level of friends where it plays a role. This is obvious. But this can play a role at other levels as well. (Oui parce qu'il y a deux notions très différentes. Bon, c'est essentiellement au niveau des amis que ça joue. C'est clair. Mais ça peut peut-être jouer à d'autres niveaux aussi).

RK: This is interesting as none of the other entrepreneurs who have recently set up their business have mentioned this idea before (Je pense que c'est très intéressant parce que cette notion n'a pas été évoquée par les entrepreneurs qui ont créé, par exemple, récemment).

CB: Well, yes. Or they have created on their own and then you may have a conflict of interest between the company and the individual. Our case is a bit special as there are two of us and we do not necessarily have the same ties, the same notion of a network, the same perception of the people with whom we can work, which is logical, of course. (Oui. Ou qui ont créé tout seul. Puisque là il y a une confusion d'intérêts entre l'entreprise et l'individu. Là, effectivement, le cas est un peu particulier dans la mesure où on est deux et où on n'a pas forcément les mêmes liens, la même notion de réseau, la même perception des gens avec qui on travaille, ce qui est logique) (interview with CB on 23.08.2006).

Similarly, NF battles since day 1 to detach himself from his company and he later puts Anciens in charge of his newly founded franchising operations. As he explained on 02.03.2006:

Well, I think that it was important to create distance since the first day I have created this business: Before even creating, I had always this very sharp awareness that I wanted the company and my person to be two different things: the company is not NF, NF is not the company. This is very important with regard to the idea of independence as you say that you are going to create your company and you would be independent as you would be the boss: In fact, this is, however, a bit romantic, this independence. As you quickly notice that you are more dependent as a company boss than a salaried employee who goes home in the evening and the weekend he goes on holidays, in these moments the company exists no longer. And this is the real independence in relation to the company when you are an employee; when you run a business there is always a rope that links you back to the company, even in the evening, the weekend and even during the holidays. Hence this idea of independence, this romantic dream of the independent entrepreneur, you have to take a step back from this. ...Because I think that if you invest too much in a company you lose your independence in relation to the company, you lose this ability of taking a step back, the distance in relation to your company, this is not very good for the development of the business as for a company to work well it has to work without its boss, for instance, if tomorrow I get run over by a motor bike, the business has still got to survive without me; otherwise this is not a company, but me. (C'est à dire que je pense que c'est important de mettre de la distance dès le jour où je crée l'entreprise . Avant même de la créer , j'avais la conscience aiguë du fait que je voulais que l'entreprise et ma personne soit deux choses différentes : l'entreprise n'est pas NF ; NF n'est pas l'entreprise. Ca c'est important aussi par rapport à l'idée d'indépendance car on se dit tu crées ton entreprise tu es indépendant c'est toi le patron. En fait c'est un peu une utopie romantique, l'indépendance. Car on se rend vite compte que l'on est plus dépendant en tant que chef d'entreprise que lorsque l'on est salarié car là on rentre chez soi le soir et le week-end on part en vacances, dans ces moments-là l'entreprise n'existe plus .Et là on a une vraie indépendance par rapport à l'entreprise quand on est salarié alors que quand on est chef d'entreprise il y a toujours un cordon qui vous rattache à la société même le soir même le week-end et même pendant les vacances. Donc cette notion d'indépendance, de rêverie romantique de l'entrepreneur indépendant, il faut prendre ça avec recul d'une part. ...Parce-que je pense que si jamais on s'investit trop dans l'entreprise on perd cette indépendance vis-à-vis de l'entreprise , on perd le recul , la distance par rapport à l'entreprise donc ce n'est pas bon dans le cadre de développement de l'entreprise car pour qu'une entreprise tourne il faut qu'elle puisse tourner sans son patron , par exemple si demain je passe sous un camion avec ma moto , il faut que l'entreprise soit capable de fonctionner toute seule . Autrement ce n'est pas une entreprise autrement c'est moi (interview with NF on 01.03.2006).

As NF emphasises, the company is not NF and NF is not the company. He critically remarked that the idea of entrepreneurial independence is rather romantic and does not necessarily correspond to the actual reality. He pointed out that an employee is more independent than an entrepreneur who has to be available in the evening, the weekend and even during the holidays. For NF the ability to take a step back to critically assess the business is essential in order not to impede the development of the company.

Different from these cases where the founder aims to detach himself from his venture, AC does not hesitate to point out the inseparable character between him and his company in an interview with him on 06.07.2006. I mentioned NF's case to him and he responded:

AC: *Having two different lives?* (D'avoir deux vies différentes?)

RK: *Yes.* (Oui c'est ça).

AC: *Well ok but that depends on everybody's context, everybody has their philosophy about this subject. For me the most important aspect is that I am married and I have five children. The only way to reconcile my life as an entrepreneur with my family life is for the two to be interdependent. Because if not, I would never see my family as I spend all my time working, it does not disturb me to go on holidays with my family and see a client with my wife. In fact this allows me to reconcile the two. I would find it much more difficult to reconcile the two with all the different family responsibilities if the two were not interconnected. There is something else as well, but this is a question of personal functioning. I need to know the people personally with whom I work, in fact one of the things that I do systematically for important contracts, I meet the guy with his wife, when you see the wife you know everything about the guy, who he is, which are the values of the people with whom I deal, I think it is through knowing them and having dinner with them* (Oui mais cela dit moi, le contexte dans lequel, chacun à sa religion sur le sujet. Moi le point important puisque moi aujourd'hui je suis marié et j'ai 5 enfants. Le seul moyen pour moi d'arriver à concilier ma vie d'entrepreneur, et ma vie de famille c'est d'arriver à ce que les deux soient interdépendants. Parce que sinon je ne verrais jamais ma famille puisque je passe mon temps à travailler, donc moi ça ne me dérange pas de partir en famille et d'aller un client avec ma femme. Ça me permet d'arriver à concilier les 2. J'aurais beaucoup plus de mal à concilier les deux avec autant de charges familiales, si les deux n'étaient pas interconnectés. J'ai autre chose mais après c'est une question de fonctionnement personnel, j'ai besoin de connaître les gens à titre personnel avec qui je traite, et d'ailleurs une des choses que je fais systématiquement sur les contrats importants, je vois le mec avec sa femme, en voyant la femme on sait tout du mec, qui il est, quelles sont les valeurs des gens avec qui je traite, je pense que c'est en connaissant bien les gens et allant diner avec eux). (interview with AC 06.07.2006)

AC's case illustrates how important for him it is to merge professional and private life. As he outlined, he virtually has no choice to do it any other way if he ever wants to see his family. Thus he deliberately pursues a strategy to interlink the two, whenever and wherever possible.

6.10 The model developed from this research

The model I developed on the basis of the phases' models identified by the individual entrepreneurs is, to some extent, similar to Wilken's (1979) model, which had been used by Greve (1995) and modified by Greve & Salaff (2003) (see Chapter 3). In Phase 1 the entrepreneurs in this study emphasised the importance of finding the entrepreneurial idea, going through a phase of reflection, which is very similar to Wilken's initial phase of idea development, yet not necessarily identical to Greve & Salaff's motivation phase (see Figure 6.1 and for further explication Chapter 3). Phase

II, which the entrepreneurs associated with 'the idea becoming reality through practical steps' such as finding finance, building the team, conducting market studies, developing the business plan and giving notice, seems to correspond closely to Greve & Salaff's notion of 'practical steps' and Wilken's idea of 'organisation foundation'. Taking the third phase 'launch' as identified by the majority of entrepreneurs as a period of time, resembles very much the third and last phase identified by Wilken's and Greve & Salaff. Figure 6.1 shows the model developed from this research in comparison to the models developed by the latter authors.

Despite these similarities it needs to be borne in mind that neither of the models did consider the possibility of a preparatory phase in which the entrepreneur would undergo training and education to prepare him/herself for the creation. Neither did any of the models consider the possibility of the development of strategic networks involving interorganisational networking. It was only Butler & Hansen (1991) who had integrated the possibility of strategic networks in the third phase of their entrepreneurial network development model.

Similarly, none of the existing models ever considered the possibility of the second founder having a different perception of the creation process than his/her partner. The research that has used the existing phases' or life cycle models has assumed that they would be applicable to the small business and entrepreneurial context, even to the pre-organisation set, without critically questioning their appropriateness. As a result, researchers have, to date, neglected the specific character of the pre-organisation and, to my knowledge; no other in-depth research has yet focussed on entrepreneurial network dynamics at the pre-organisation stage resulting in the proposal of a model.

The model in Figure 6.1 has the distinct advantage of being grounded in the perception of the entrepreneurs, the key actors in the creation process. Furthermore the model also benefits from being more detailed, indicating the approximate length of the phases and highlighting the different activities associated with the different phases. Whereas it would be inappropriate to assume that this model may be generalised across all pre-organisation types and across all contexts due to the small number of entrepreneurial cases considered here, the research nevertheless highlights the importance of grounding research on entrepreneurial network dynamics in the entrepreneurial perception and not in pre-existing, 'presumably' generic small business life cycle models.

The development of an entrepreneurial phases' model as presented here needs to be understood as a first part of the research into the different dimensions of social capital. It is indeed a stepping stone to establishing more information about the structural dimension of social capital. The discussion that follows will highlight the different aspects that relate to the structural dimension of social capital, as they have emerged through a systematic analysis of the interview transcripts, repertory grids and individual phases' models. I will in particular comment upon the size of the network, the type of industry, diversity and quality of the different ties as well as the dichotomous relationship between strong versus weak ties, as highlighted by Granovetter (1985). The model proposed here will later be expanded to include the different ties involved at the different stages of the entrepreneurial venture creation process (see Figure 6.2 in this Chapter). Figure 6.1 shows the model as developed on the basis of the entrepreneurial perception.

Figure 6.1: The phases' model

Pre-phase: individual maturing	Phase 1: idea & reflection	Phase 2: realisation of the idea	Phase 3: Launch	Phase 4: 9mths after the launch	Phase 5: 2 years after the launch
Preliminary training and education phase/ individual maturing (1-15 years)	<ul style="list-style-type: none"> • Finding the idea (1-6mths) • Phase of reflection (1mth to 2 years) • Meetings 	<ul style="list-style-type: none"> • The idea becomes reality: validation, test, realisation (6-18mths) • Practical aspects: finance, technical, legal, team, market study, product, product specifications, business plan (1-12mths) • Transition employee – entrepreneurs status (3-9mths) 	<ul style="list-style-type: none"> • Launch (point in time or period) (1-21mths) 	<ul style="list-style-type: none"> • Creation of a Steering Committee 	<ul style="list-style-type: none"> • Creation/ joining a GIE - groupement d'intérêt économique (economic interest group)
Greve & Salaff (2003)	Motivation	Practical steps	Running the company		
Wilken (1979)	Idea development	Organisation founding	Running the company		

6.11 Analysis of the entrepreneurial network structure

Entrepreneurial activity is “personalised economic action” (Johannisson et al. 1994, p. 333) which suggests that values and sentiments as well as instrumental considerations determine why and how entrepreneurs realise their venture in conjunction with others (Johannisson 1990, Johannisson et al. 1994). The entrepreneur’s personal network, egocentric in nature, is dominated by symmetric exchange relationships and its ties are created and maintained to reflect the personality of the entrepreneur as well as the changing needs of the venture. As a result, the entrepreneurial network will combine both social and business concerns which arguably will support both the person and the venture.

Against this background it is understandable that the configuration of a network is key for the entrepreneur and his venture. O’Donnell et al. (2001) argue that the structure of the entrepreneur’s network has attracted more attention than issues relating to processual aspects of the network. However, whereas broad agreement exists about the importance of networks for emerging firms there is less consensus as to what network characteristics are the most advantageous in the firm’s early development. In fact, Elfring & Huslink (2003) highlight, that there is considerable confusion and disagreement as to the role network characteristics play in the performance of emerging firms. As a result, much debate has focused on the effective configuration of entrepreneurial networks with a key debate surrounding the following aspects: network size, density and diversity, type of industry, personal history, weak versus strong ties, structural holes and structural equivalence. Although this study was never intended to be of a sociometric nature, I tried to map the personal networks of the entrepreneurs using UCINET, a software package for sociometric network analysis. This attempt failed, however, as the data did not lend itself to such an analysis. From the onset of the study my interests had been of a qualitative rather than quantitative nature, thus measuring network centrality, frequency of contacts, range and intensity had not been my priority. Instead, the following discussion shows the results from the analysis of a number of qualitative aspects such as network diversity, quality of ties, the nature of the network as well as the strength of ties. In addition, I will comment on the size of the network.

6.11.1 Size of the network

As shown in Section 3.10.1 there is a significant body of literature by, for instance, Birley (1985), Aldrich & Zimmer (1986), Butler & Hansen (1991 and Greve (1995) who have examined the structural elements of network configuration that can be measured. Network size in particular has been considered as an important factor and the entrepreneurial network literature frequently reports that size is positively related to an organisation's initial performance (Hansen 1995). Following Tichy et al. (1997) size is the actual number of people participating in the network, which is very similar to Marsden (1990), who suggested that network size is about the number of direct ties involving individual units. As stated in section 3.10, for the purpose of this research I have only investigated the personal, egocentric networks of entrepreneurial Grande Ecole entrepreneur, comprising both formal and informal contacts at the pre-organisation stage.

Contrary to existing entrepreneurial network literature which suggests that a greater number of links leads to a more extensive network which is advantageous for the organisation (Larson 1992), the majority of entrepreneurial ventures involved in this study had only involved a small number of ties in the different phases of the entrepreneurial venture. AC had the smallest network with 3 ties whereas most of the other entrepreneurs involved between 5 and 8 ties in the entrepreneurial start-up phase. The largest network was found for P & G's innovative high tech business. In phase 2 the young founders involved as many as 18 ties. These findings correspond with Hansen (1991, 1995) (see section 3.13) who had conducted one of the few available studies on the pre-organisation and whose research had identified an entrepreneurial pre-organisation network as including from 2 to 19 ties. Furthermore Greve (1995) had found that prospective entrepreneurs would keep informed a much smaller network about their early plans than people in later phases of the establishing process.

A closer look at the development of network size throughout the different phases of the entrepreneurial start-up shows that in the pre-phases the entrepreneur engaged with up to 3 people. In comparison, in Phase 1 (s)he involved three to four people, in Phase 2 four to seven people and in Phase 3 five to seven people. As mentioned earlier, the biggest network in Phase 2 was that of P & G with 18 members. Given that their company is based on an innovative, high tech product, the latter findings concur with

Johannisson (1996) and Fritsch & Lukas (1999) who had highlighted that such companies tend to have more cooperative relationships.

The general trend across all phases is that from Phase 1 to 2 the network size increases, this is indeed the case for half of the entrepreneurs interviewed, i.e. JT, E, LS, PL, CB, PP, NF, JMB, R and P&G. For four of these entrepreneurs, NF, CB, JMB, LS the number of network members increased from Phase 1 to 2, but remained stable in Phase 3. This finding is similar to Greve & Salaff (2003) whose research suggested that in Phase 1 the network would be limited to closest relations and the smallest in comparison with the other phases. In Phase 2 the entrepreneurs entertained the largest network and in Phase 3 the size would be reduced again to include only the most important, helpful members. There were some exemptions, however, such as YC, whose network size decreased from Phase 1 to 2, yet increased from Phase 2 to 3. For SLB, NFi and AL the network size stayed the same in Phases 1, 2 and 3. For MB the network size decreased from Phase 1 to 2 to 3. For R and GK the number of network members went up from Phase 1 to 2 to 3. Data for BS was too ambiguous to be included at this stage. (I contacted the entrepreneur on numerous occasions to verify the information. Unfortunately, he never, responded to these attempts).

6.11.2 Type of industry

Network configuration and hence network diversity may also be affected by a range of other issues such as type of industry in which the venture has been created as the different resource needs of the different types of ventures may impact upon the entrepreneurial network development (Brass et al. 2004). To date, evidence has, however, been controversial as Johannisson (1996), for instance, suggested that personal networking or social sources may be less important in manufacturing than in the business services industry as in the latter interpersonal skills are key to sense making and image building. In contrast, Schutjens & Stam's (2003) research in the Netherlands indicated that manufacturing firms had relatively more types of business relationships than business service firms. Furthermore research has suggested that different innovation levels affect the variation of contact as innovative establishments tend to have more often cooperative relationships than firms without innovation (Johannisson 1996, Fritsch & Lukas 1999).

The majority of the thirteen companies (11 out of 13) were created in the services sector, some of which fall into B to B, some into B to C. The two ventures (P & G and MB and AL), which were founded within a Grande Ecole context, combine a mix of technological and managerial/commercial aspects in terms of the product specifications. Both ventures represent innovative, high tech business and have as such successfully competed in French national competition schemes (concours). Two further ventures (SLB and AC) are Internet start-ups. Although P&G's network was the largest among all cases in Phase 2 (see section 6.11.1), this was not the case for SLB, AC and MB/AL, which makes it difficult to generalise on the basis of one single case (see Appendix 6.2 for the phases' models).

I further inquired into the small size of the network and the following section gives the different reasons for this finding.

6.11.3 Entrepreneurship as solitary phenomenon

Prompted by my question whether anybody had been involved in Phase II, YC responded: *'Entrepreneurship is a very solitary decision'* and confirmed that he had been completely on his own during the pre-organisation stage.

YC: *No, I was completely on my own.* (Non. Tout seul).

RK: *Completely on your own? Very solitary.* (Très solitaire??)

YC: *This is a very good question, indeed. Why did I not approach anybody else to decide with me? I think it was also perhaps because in my head I had this question of self-image. Just to repeat it I was the boss who had managed large companies. I thought (being solitary) was something I had to do. But it is a good question. Maybe it was also the way I tend to work very often. When I decide to make changes I often do it on my own. But it is true that the period of germination of the idea, of the reflection, of the plan was very individual. Yes and also out of confidence in myself. The business plan is part of my daily business, I would find it very difficult..; Well, once the business plan was finished I met two or three people. They thought that it was really well done. It is my job; I know how to do it!* (C'est une bonne question, en fait. Pourquoi je ne suis pas allé plus vers les autres pour décider ça? Je pense que c'était aussi parce que peut-être que, dans ma tête, c'était aussi une question de self image. Encore une fois j'étais le patron qui avait dirigé des grandes entreprises. Je pensais que c'était quelque chose qu'il fallait que je fasse. Mais c'est une bonne question. C'est peut-être aussi la façon dont j'opère souvent. Quand je fais des changements souvent je le fais de façon un petit peu plus individuelle. Mais c'est vrai que toute la période germination de l'idée, de la réflexion, du plan a été assez individuelle....Oui. Et puis confiance en moi. Le business plan, c'est mon métier, alors j'avais du mal à... Alors, une fois que le business plan était fini, je l'ai montré à deux, trois personnes _ils ont tous trouvé que le business plan était très bien fait! C'est mon métier, alors je sais faire ça!)

As YC explained, creating his company was a very solitary affair for him due to a number of reasons. First, he mentioned his self-image. Being used to managing large

companies, he felt he had to do it on his own. Second, he also suggested that he tends to work on his own, in particular when making important decisions about change. Third, it was also a question of confidence in himself. Drawing up a business plan has been part of his long professional career, hence involving other people in this job, did not come naturally to him. Once he had finished the business plan he presented it to two or three people who confirmed that he had done a good job.

Asking YC whether he had not been in touch with anybody else, YC insisted:

No, because I think that the decision to start my activity had to be very solitary. It is a decision you have to take it on yourself. You have to listen but it is a very personal decision in the end. Well you can talk about the business, you can discuss objective factors but the personal aspect remains personal. Thus I discussed the professional project with my professional contacts but the personal project this was really my personal reflection which occupied me (Non ... Je pense que la décision de commencer une activité doit finalement être assez solitaire. C'est une décision qu'on prend pour soi. Il faut écouter mais c'est une décision tellement personnelle finalement... Alors on peut parler du business, on peut parler des facteurs objectifs mais l'aspect personnel est essentiellement l'aspect personnel. Donc j'ai parlé du projet professionnel à mes contacts professionnels mais le projet personnel, c'était essentiellement une réflexion très personnelle que j'ai faite, qui m'engageait (interview with YC on 29.01.2007).

6.11.4 Need for reflexivity and for reflection

Closely linked to this idea of entrepreneurship being a solitary decision which clearly impacts the number of people the entrepreneur involves in the different phases of the venture JMB emphasised that there is a need for reflection and solitude. He involved three or four of his friends, those with whom he could discuss such an issue, but it was certainly not something he could discuss with 30 people, as he emphasised in an interview with him in August 2006.

Well there were three or four close friends. Those with who you can talk about these things, It is not something that I would not discuss with 30 people. The phase of reflection, I have kept it to myself, honestly (Enfin, mes trois, quatre amis proches, on va dire. Ceux avec qui on peut aborder ce genre de sujet-là. Voilà. Enfin, c'est pas quelque chose que j'ai raconté à 30 personnes. Ma phase de réflexion, je la gardais un peu pour moi, très honnêtement) (interview with JMB on 18.05.2006).

The idea of reflexivity and need for reflection, which we find in YC, JMB and NF have also emerged as key activities in some of the phases' models, see for instance JT, GK, YC and JMB and both aspects have also featured in the repertory grids. This link between network size and need for reflexivity in the people that surround the entrepreneur is indeed a very interesting finding as it seems to be a vital ingredient for

when working with entrepreneurs in the different phases at the pre-organisation stage. Hence it would be important for both education and training institutions to consider reflexivity as an educational need when teaching entrepreneurship. However, it is also crucial for business support organisations and their staff as the need for reflective people in the network of an entrepreneur is a domain which, to date, has been underestimated. In fact, as P & G mentioned at some stage during their longitudinal study, they had been working with a number of business support organisations in Haute Normandie and France, yet nobody had focussed on networking and networking-related aspects and had asked the type of questions I had asked. In short, there had been nobody who had asked them to take a step back and critically reflect upon what had been going on in the different phases of the entrepreneurial venture.

6.11.5 Entrepreneurial self-image

Similar to YC, NF emphasised the entrepreneurial self-image as an important aspect that accounts for the small network at the pre-organisation stage. NF did not see himself as a networking man. He gave the example of his Commercial Director who arrived at his company with 250 business cards in his pocket and spent the first few months of his employment contacting old colleagues and friends. In contrast, NF's circle is rather small but active. However, in the third phase of his venture he adopted a deliberate strategy to widen his professional network (see NF's phases model in Appendix 6.2). The following abstract illustrates his view:

NF: *I am not really a networking man (Je ne suis pas tellement un homme de réseau).*

RK: *You are not a networking man ? (Ah tu n'es pas un homme de réseau?)*

NF: *No, I don't think so. Have a look for instance at my Commercial director, he arrived here with 250 business cards. This is a guy who has my age, who is a graduate of a Management School in Angers (ESCAR) but he has a real network. This means that he made appointments with all these people with whom he stayed in contact such as former colleagues, the cousin of his sister-in-law, in short, he has a real professional network, much more active than mine. I have a small very active circle, but not a very large network. It is very impressive that he has made all these appointments, the first three months he spent all his time going from one appointment to another in large firms with people he used to know, people to whom he was somehow related. Me, I am not able to do this, I don't have this kind of network. (Non je ne pense pas. Ca se voit, par exemple mon directeur commercial lui il est arrivé avec 250 cartes de visite. Pourtant c'est un mec qui a mon âge qui a fait une école de commerce aussi qui a fait l'ESCAR à Angers mais lui il a un vrai réseau. C'est à dire qu'il a pris des rendez-vous avec ces personnes, qu'il reste en contact avec ses anciens collègues d'entreprise, avec le cousin de la belle-sœur de sa femme enfin bref il a un vrai réseau business beaucoup plus actif que le mien. Moi j'ai un petit cercle très actif mais pas un large réseau. C'est assez impressionnant lui il a pris des rendez-vous, les trois premiers mois il a passer son temps à aller à des rendez-vous dans des grosses boites avec des gens qu'il connaissait, des gens auxquels il était lié. Moi je suis incapable de faire ça je n'ai pas ce réseau-là moi (interview with NF on 01.03.2006)*

6.11.6 Creation in former profession

Similar to INSEE (2008) (see section 2.5.4) this study found that individuals created their venture in the sector of their former activity, which may be a further reason why the networks in the entrepreneurial start-up phases were relatively small. JMB, for instance, chose to create his own company in the same field in which he had been working for more than 6 years, he knew the people, he knew the job. As neither his friends nor his parents worked in the same sector, he concluded that their involvement could not be very deep. Hence he preferred to keep his reflections to him and not share them.

JMB: My reflections are very much linked to my activity. ... to the sector of activity which only I know, I know the people. In fact, my friends do not work in this sector, my parents neither. Thus this could not be a very deep involvement. This is understandable, this is not very complicated, but I did not really involve them. It was my reflections, which I did not share, let's say. As this was in relation with my profession there was not much to think about, in fact. You have to be honest, I just continued in the same profession, I passed from employee status to the entrepreneur status, but the profession remained this same. My daily life, it was, the meetings I arranged, and the commercial canvassing was exactly the same. In addition, my first client was my first employer, and I also had the same clients again... Finally, that's it. Well, there was no real reflection about the company strategy. There was no... The business activity, let's say, was well known as it had been my (former) profession. (Parce que, en fait, ma réflexion, elle était déjà très liée à l'activité... au secteur d'activité que moi seul, je connais dans ces gens-là. En fait, mes amis ne travaillent pas du tout dans ce secteur d'activité-là, mes parents ne sont pas du tout dans ce secteur d'activité-là. Donc ça ne pouvait pas être une implication très profonde. Enfin, je... Ça se comprend, il y a rien de très compliqué mais c'était juste que je les impliquais pas plus que ça, quoi. C'était vraiment ma réflexion à moi. C'était pas très partagé, quoi, on va dire. Voilà. Parce que c'était tellement en rapport avec mon métier qu'il n'y avait pas beaucoup de réflexion à mener, en fait. Il faut être honnête, j'ai continué le même métier mais je suis passé du statut de salarié au statut de créateur d'entreprise. Mais le métier était le même, hein. Mon quotidien, il a été... Les rendez-vous que je faisais, la prospection commerciale est exactement la même. D'autant plus que mon premier client était mon premier employeur, en plus je retrouvais les mêmes clients... Enfin... Donc voilà. Donc, en fait, c'est pour ça qu'il y a pas eu une réflexion de stratégie d'entreprise. Il y a pas eu... L'activité de l'entreprise, disons qu'elle était bien connue puisque c'était mon métier) (interview with JMB on 18.05. 2006).

6.11.7 Purpose-driven network creation?

As already discussed in Chapter 4, Hite & Hesterly (2001) theoretically explored the changing nature of ties in the first two phases of the organisational life cycle, i.e. emergence and early growth. They suggested that firm networks evolve from close cohesive, identity based to more calculatively-based ties as the firm evolves from emergence to early growth, i.e. ties become more calculative in nature throughout the venture development process. The thematic analysis of the interviews has suggested that some of the entrepreneurs viewed their network and their networking efforts in a highly calculative way. In fact, some of the entrepreneurs emphasised the purpose-

driven nature of their contacts. In fact, E's case highlights that she clearly distinguished between people who can advance her entrepreneurial venture and those who cannot. As E pointed out,

But you cannot take anybody's advice (mais après on ne peut pas prendre tous les conseils de tout le monde (interview with E on 06.07.2006).

In the same interview E speaks about a '*réseau utilitaire*, i.e. a utilitarian network and non-challantly comments: *We use each other (On s'utilise).*

She cannot just accept anybody's advice, she has to make decisions about who to work with and she prioritises. In a similar vein R who set up a business in the financial services sector concluded that there is always a reason why he contacts people, either somebody had given him the name, or because they went to the same school together. As he explained during the interview:

Because these are the people that I contact. Finally there is always a first reason for the contact. Either this is a person who has given me his name, or it is the fact that we are from the same school... which is common... which creates the link. (Parce que c'est des personnes que je contacte... Enfin, il y a quand même une première raison du contact. Donc soit c'est une personne qui m'a donné son nom, soit on a le fait d'avoir fait la même école etc. en commun. Ce qui fait que le lien...)

RK: *Is this a bit by coincidence? (C'est un peu par hasard?)*

R: *Not completely. This means that the affective link is not negligible either. It is intermediary. (Pas complètement. Ce qui fait que le lien affectif n'est pas nul non plus. Il est intermédiaire) (interview with R on 21.11.2006).*

R's comment underlined that entrepreneurial contacts are purpose driven. Contrary to Hite & Hesterly (2001), however, this calculative interest does not start at a particular phase in the creation process, but seems to be an integral part of the early network dynamics at the pre-organisation stage. As GK pragmatically underlined, whereas the entrepreneur may be in contact with *many* people there may only be a selected number who are actually involved in the entrepreneurial project.

When discussing a repertory grid with P & G in December 2006, I was checking the contacts that were still 'alive' from earlier grids established throughout the year. One of the key issues that emerged from this discussion was '*le besoin*', the need' for somebody, an aspect which would determine whether the two young entrepreneurs would contact a person for advice and assistance or not. As the two founders explained,

they had not been in contact with one particular member of their network members for quite some time as there had been *no* need to do so. However, with this person now creating a business himself, a new link was in the process of being established. As P & G expanded in the interview on 13.12.2006,

No, because we did not need him, but we have met him not that long ago during a conference, we had a good discussion. He is going to create his own company too; this is a link that is in the process of getting established. (Non parce qu'on n'a pas eu vraiment besoin de lui mais on l'a quand même croisé il n'y a pas longtemps dans une conférence, on a bien discuté. Il commence à créer une entreprise aussi, donc c'est un peu un lien qui se fait).

In the same interview we discussed the idea of different people being organised in circles around the entrepreneurs. The closer the circle the closer the people to the founders. P & G had already distinguished between a '*cercle protecteur*', a protective circle which comprised themselves and their two mentors. This inner circle was surrounded by circles of people who were less involved in the project. As P & G explained,

In fact, in this circle there are rather people who you can contact when you need them. They are not really in the network. (En fait, dans ce cercle-là, c'est plus des personnes qu'on sollicite à partir du moment où on en a plus ou moins besoin, en fait. Ils ne sont pas dans le réseau...).

RK: *This means when you need him.* (C'est-à-dire que si on avait besoin de lui).

P & G: Obviously. He is no longer involved as... (Clairement. Il ne s'implique pas parce que...)

These comments show that entrepreneurs critically evaluate who they liaise with, who they contact to satisfy their needs. Very often these needs refer to different types of advice or assistance required, as we will see in the next Chapter; money was rarely mentioned by any of the interview partners, and banks and shareholders only played a role in the case of CB and PP and AC. This purpose-driven approach to ties is very similar to Steier's (2001) suggestion that entrepreneurs identify key clusters of resources and create or maintain relationships with these players who represent key conduits to those resources. As a result, redundant contacts, contacts that are no longer needed, are eliminated from the network. This selective focus on some ties, but not on others, also coincides with the systematic networking attempts of some of the entrepreneurs, which I will illustrate in the following section.

6.12 A systematic approach to network building

Closely related to the idea that some entrepreneurs purposefully select their network ties is the finding that some take a very systematic approach to network building. NF, for instance, employed an apprentice specialising in Marketing to systematically create a network of potential clients for him. He himself organised lunches and dinners over a couple of months, with people from his private and professional network. These meetings had two objectives: to get feedback on his entrepreneurial idea and add one or two new contacts to his network, thus building the potential for new clients. He even established a typology of people, consisting of those who could help him in particular with the marketing part of the business and those who could advise on the technical side. As he explained in an interview on 01.03.2006:

I did two things, either I sought direct contact with people I knew from my private network, or from my professional network, I had lunch with them, I organised lunches because these are people who work, who do not have much time. So I had lunch with them and I explained them my entrepreneurial idea. There were two objectives to this: the first was to get their feed-back, to know what the people think; whether it is good or bad idea and how I could better define the positioning of the offer and the second objective was to obtain one or names of people who could be potential clients or people from the industry who could give me their opinion. Each time when I had lunch with somebody I had this double objective. You also have to know that you are really on your own when you are creating your company. You are at home, in the morning you get up, you are at home, in the evening you go to bed, you are at home, you spent your life at home, and this is not easy. This is quite bad when you are used to having a life with a rhythm that is guided by office hours. It is not easy to spend your life at home (J'ai fait deux choses, soit du contact direct avec des gens que je connaissais, soit issus du réseau privé, soit issus du réseau professionnel avec lesquels je déjeunais généralement, j'organisais des déjeuners parce que c'est des gens qui travaillaient, qui n'avaient pas forcément du temps. Donc j'allais déjeuner avec eux et je leur exposai l'idée que j'avais de l'entreprise. Et avec pour objectif, j'avais deux objectifs à chaque fois, le premier c'était d'avoir leur feed-back, qu'est-ce qu'ils en pensent: est-ce que c'est une bonne ou pas une bonne idée ou comment est-ce que je devrais affiner le positionnement et l'offre et un deuxième objectif c'était d'obtenir un ou deux noms de personnes qui pourraient soit être des futurs clients ou soit des gens qui sont un peu dans ce business là ou me donner leur avis. A chaque fois j'avais ce double objectif dans le cadre d'un déjeuner. Il faut savoir aussi que quand on crée son entreprise on est très seul. On est chez soi, le matin on se lève, on est chez soi, le soir on se couche on est chez soi, on passe sa vie chez soi. C'est un peu terrible quand on a l'habitude d'avoir une vie qui est rythmée par les horaires de bureau, quand on passe sa vie chez soi c'est pas facile.

He continued:

Well, so I met people who could either inform me about the marketing part – the positioning, or people who could teach me about the technical side – the offer. Great. So I had two types of people who I met. (Alors donc, et là je rencontrais soit des gens soi qui pouvaient me renseigner sur la partie plus marketing – positionnement, soit des gens qui pouvaient plus me renseigner sur la partie technique - offre . D'accord. Donc j'avais les deux typologies de personnes que je rencontrais).

NF's strategy proves to be a successful, as he obtains his first client C (a big international supermarket chain) through a network tie E who advises NF to ring this person on his behalf.

Looking at LS we find a similar highly systematic and methodological approach to networking. As he explained in the interview on 25.08.2006,

What I really do in a very methodological way, is the management of relationships. With very simple messages, which the people can spread very easily. And there is a very fine follow-up of who has presented who to us. What is, today, the heart of our information system. The first information that I jot down next to the name and first name of somebody, before his title, is through whom I got to know him (Ce que j'ai utilisé de manière très méthodique, c'est la gestion des relations. Avec des messages extrêmement simples que les gens peuvent diffuser facilement. Et avec un suivi très fin de qui nous a présenté qui. Ce qui, aujourd'hui, est le cœur de notre système d'information. La première information importante que je note à côté du nom et du prénom de quelqu'un, avant son titre, c'est par qui je le connais).

RK: *This means that you have a list of contacts that you can develop like a chain.* (Donc tu as une liste des contacts que tu peux développer presque comme des chaînes).

LS: *Yes* (Oui).

RK: *So you would say that you are very methodological entrepreneur?* (Donc tu dirais que tu es un entrepreneur très méthodique à cause de ça?)

LS: *Yes, very structured.* (Oui. Très structuré).

As LS emphasised, he systematically manages his network, building up information about people from scratch and then staying in touch. He sends simple messages out that again could be passed on very easily from person to person, again widening the network and increasing the opportunities for new contacts. For LS this is part of being an entrepreneur, he describes himself as a very methodological entrepreneur and he is certainly very structured in his approach to networking.

Underlying LS's systematic approach to networking is his own network philosophy. He distinguishes between formal networks such as the network of the Anciens at the ESC and the former colleagues at Deloitte, and informal networks, which are relational networks. For him there are only two ways of creating a network, either you meet people and you systematically stay in touch with them or you meet them and forget about them immediately. Obviously the latter would be ineffective in his eyes. For LS networking is about creating a durable relationship with somebody. His vision of the network is such that he sees himself as the linchpin between different networks and he has merged different networks with his personal relationships. He explained his philosophy as follows:

There are structured networks and there are informal networks. The structured networks are those groups which acknowledge themselves as a network. The former students of the ESC, the Anciens, for instance. The former employees of D. The people who belong to a religious community. Those who regularly go to conferences. Well, in an institutional way there are groups, associations which are networks. And after that you have informal networks. These are all relational networks. There are two ways of building a network. Either you meet people and when you leave them you have already forgotten about them: Or you remember them and you create a relationship with them. The start of a network is creating a durable relation with somebody. What concerns my person I would not say that I have a network but that I am in the middle of different networks which I merged with my personal relationships. But this is, after all, a vision of life which is almost philosophical. Either you are at the centre of the world or you have a network around you (Il y a des réseaux structurés et il y a des réseaux informels. Les réseaux structurés, ce sont des groupes qui se reconnaissent eux-mêmes comme des réseaux. Les anciens de Sup de Co. ... Les anciens de Deloitte. Les gens qui appartiennent à une communauté religieuse. Les gens qui participent régulièrement à des conférences. Voilà. Donc là il y a déjà de manière institutionnelle des groupes, des associations qui sont des réseaux. Et après il y a les réseaux informels. Ce sont tous les réseaux de relations. Il y a deux manières de faire. Soit on rencontre des gens et, dès qu'on les a quittés, on les oublie. Soit on se souvient d'eux et on crée une relation avec eux. Le début d'un réseau, c'est créer une relation durable avec quelqu'un. En ce qui me concerne, je ne peux pas dire que j'aie un réseau. Je peux dire que je me retrouve au milieu de différents réseaux que j'ai fédérés avec mes relations personnelles. Mais, après, ça, c'est une vision presque philosophique de la vie. C'est-à-dire, soit on est le centre du monde et on a un réseau autour de soi).

LS is, however, not the only entrepreneur who has developed his own philosophy of networks and networking. During my first interview with BS on 15.05.2006 he showed a very high awareness of the different types of networks he engaged in:

I have several networks. I have a first level of Anciens and these are not the former students of the ESC Rouen, but these are the former colleagues of AA, which is a company with a very strong culture, and those who have left AA are like a business card, and it is true that when you meet in a consultancy or with other consultants, the fact that you are a former employee of AA gets noticed immediately. Thus there is a type of network which is very strong and which is rather astonishing... (J'ai plusieurs réseaux, j'ai un premier niveau d'ancien et ce sont pas les anciens de Rouen, ce sont les anciens de AA, c'était une société où il y avait une forte culture, et finalement les gens qui sont partis de AA, c'est une sorte de carte de visite, et c'est vrai quand on se retrouve vers d'un autre cabinet ou d'autres consultants, le fait qu'on soit un ancien d'AA va tout suite apparaître à un moment. Donc il y a une notion de réseau qui est assez forte et qui est plutôt étonnante).

He continued:

Well this is the first level of the network and my second level are my direct clients for whom I have already worked, as a consultant. Well these are the people for whom I have already worked and who have appreciated the work that I did and to whom I can make commercial propositions. I can activate the first network immediately, as this very informal and it is not the network of my present employer, thus I can activate it immediately without having a conflict of interest with my present employer. My second network is a bit more difficult as I cannot take clients away from my present employer and the problem is that my present employer is my third network. My fourth network are acquaintances, which can bring business, this could be a business network. (C'est un premier niveau de réseau, et mon deuxième niveau de réseau c'est mes clients directs ceux pour lesquels j'ai déjà travaillé mais en temps que prestataire. Et donc voilà, ce sont des gens pour qui j'ai travaillé, et

qui ont apprécié le travail que j'ai pu faire, et a qui je peut faire des propositions commerciales ...Alors le premier niveau de réseau je peux l'activer immédiatement, parce que ont est vraiment sur une chose informelle et qui est pas le réseau de mon actuelle employeur, donc je peux l'activer immédiatement sans qui il est collusion avec des intérêt de mon employeur actuelle. Mon second réseau je ne peux pas..., car ce sera piquer des client à mon actuel employeur et le problème et que mon employeur et mon troisième réseau...Il y a un quatrième niveau de réseau donc les connaissances qu'ont peu avoir. Qui peuvent a un moment apporter des affaire, qui peuvent être un réseau d'affaire).

I was clearly astonished when BS presented this very concise analysis of all the networks he possessed and I asked him whether this analytical spirit would be due to his education at the ESC Rouen. He responded rather convincingly:

It was certainly an excellent school with an excellent practice (Comme qui c'est une excellente école une excellente pratique).

This part of the Chapter has emphasised the small size of the entrepreneurial networks at the pre-organisation stage and I have elaborated on possible reasons for this phenomenon such as the entrepreneurial self-image and an increased need for reflection. I have also emphasised the purposeful, calculative approach that many of the entrepreneurs have taken when creating their networks at the pre-organisation level. The following section presents the findings relating to the diversity, quality and strength of ties.

6.13 Diversity, quality and strength of ties

O'Donnell et al. (2001) warn that it is not size alone but also diversity that impacts network configuration. Indeed network diversity is a key aspect of entrepreneurial networks, as highlighted by Dubini & Aldrich (1991) and further explored by Steier & Greenwood (2000) in a longitudinal study of entrepreneurial ventures. The latter argue that network management is about how to achieve network diversity without suffering network overload. This raises the question of how best to use the advantages of an extensive array of diverse ties without having to nurture too many ties successfully at the same time. Johannisson (1988) added a further element when he emphasised that the ideal personal network contains both weak and strong ties with the latter supplying an "ecological change" element as they are "bridges to realities so far unexplored by the entrepreneur (Granovetter 1973). However, Baum et al. (2000) and Greve (1995) insist that it is not a question of weak versus strong ties and diversity, but also a question of the quality of the ties that needs to be investigated too. In a similar vein Wellman & Wortley (1990) pointed out that not all ties are supportive and not all supportive ties provide the same types of resources. To date, little research seems to

have explored the quality of the ties in greater detail. Conversely, we find a number of quantitative studies such as by Greve (1995), Greve & Salaff (2003) and Schutjens & Stam (2003) which have explored different variables such as size, density and time associated with entrepreneurial networks (see Chapter 3 for a more detailed discussion). I argue, however, that the quantitative side of entrepreneurial network dynamics fails to pick up on the softer qualitative aspects inherent in the changing nature of the entrepreneurial networks throughout the different phases, which is in line with Witt (2004) who critically commented that one limitation of all network research derives from the fact that empirical studies employ quantitative measures to obtain information which is essentially qualitative and cumulative in nature.

As the application of the repertory grids required an in-depth investigation into the different network ties I obtained much information about their nature in terms of diversity and quality. The thematic analysis of the interview transcripts highlighted three key types of ties involved in the different stages of the entrepreneurial venture: family ties, friendship ties and professional ties. The latter could be further differentiated into those ties related to the entrepreneurial human capital (also later abbreviated as EHC), such as former employers and former colleagues, and those ties which are completely divorced from the entrepreneur's human capital such as, for instance, IT and media specialists, sometimes found through friends of friends and very rarely in the yellow pages. As the analysis has shown there are, however, few cases that involve people completely detached from the human capital of the entrepreneur in the early stages of the start-up process see, for instance, R, LS and CB (see Table 6.3). As a rule, these people respond to certain functional needs of the entrepreneur in different phases of the venture, which he cannot satisfy by drawing on family, friends or former colleagues. Their intervention is occasional, '*ponctuel*' as the entrepreneurs emphasised. Very few cases highlighted the involvement of clients and suppliers in the different phases of the venture, exceptions are PP & CB as well as P & G. Equally few cases involved an acquaintance in a key role. In the case of PL and LS a joint acquaintance running a local bakery put the two entrepreneurs in touch with each other; it took, however, some years until they eventually started working together. A further example is MB and AL, who met each other, through a joint acquaintance, a professor at a Paris-based engineering Grande Ecole. Both cases show that acquaintances, which, following Granovetter (1973), can be classified as weak ties, may have a major impact upon the entrepreneurial venture. In these two cases weak ties act as a bridge between

formerly unrelated parties. As we can see from this analysis the diversity of the people the entrepreneurs involved in the different phases of the start-up is very limited, which is in line with Hite & Hesterly (2001) who suggested that the entrepreneur surrounds himself with identity-based ties in the early stages of the venture (see section 3.18). This does, however, not necessarily imply a negative impact upon the quality of the ties, as the following discussion will show.

6.14 Quality of ties

Whereas authors such as Borgatti et al. (1998) have emphasised the importance of the compositional quality of a tie for firm outcomes, little attempt has been made to date to actually define the quality of ties. Although the analysis of the interview data and the repertory grids has suggested that the diversity of the ties at the pre-organisation stage is very limited, I would like to argue that the quality of the ties is indeed very high. Having analysed the different ties in this study it becomes obvious that both educational and professional background are very important indicators of the quality of the ties involved in the entrepreneurial networks. There were a large number of entrepreneurs such as E, NF, JMB, NF, GK, BS, YC, R, LS, MB, P & G who involved former employers, former colleagues and former fellow students in their entrepreneurial networks. Given that all entrepreneurs, except for the very young ones, MB & AL and P & G, created in an area of their expertise where, very often, they had spotted an opportunity, it is possible to say that they surrounded themselves with the right amount of human capital to succeed in the early stages of the entrepreneurial start-up. A significant number also involved Anciens, see for instance E, SLB, NF, R, MB, AL and PP and JMB, in a variety of roles such as friend, but also as somebody offering sought-after competences. PP, for instance, involved XD who happened to be an Ancien, an entrepreneur and a friend. Similarly, JMB had kept in touch with MD, who happened to be a former colleague, friend and entrepreneur; and NC who offered the attractive combination of being an Ancien, friend and fellow entrepreneur. This multiplexity of ties, which I will comment upon again in Chapters 7 and 8, is a strong indicator of the high quality of the ties found in these networks. These entrepreneurs possess a high level of human capital in terms of professional and educational capital; they graduated from one of the top ten Grandes Ecoles in France and some of them also acquired a further degree from institutions such as Harvard. In addition, the majority of them, except for the very young ones, had significant professional experience. The findings

show that the high quality of entrepreneurial human capital also find a reflection in the equally high quality of the network ties.

6.15 Involvement of network members rather than frequency

Different from other research that has focussed on measurable aspects such network density and frequency of contact (see for instance Aldrich et al. 1986, Greve 1995, Greve & Foss 1990, Greve & Salaff 2003, Hansen 1995, Jenssen & Greve 2002, Johannisson & Johnsson 1988) I was rather interested in the level of involvement of different people in the start-up process, which was measured on a Likert scale of 1 to 5 by the entrepreneur. Analysing the trends across the cases we find that the involvement of family members either increases from Phase I to Phase III or stays at a high level of 3 or 4 throughout the phases. There are a number of entrepreneurs who did *not* involve their family; these are CB, PP, AL, MB, JT and SLB. As I will come back to this type of ties in Chapter 7 I will not expand on the different reasons for non-involvement at this stage. In many cases it was the father and the female partner who were key in the network. There was one case where the brother was involved (G's case), two entrepreneurs worked with their brother-in-laws (AC and GK) and YC involved his son and his daughter in different phases of his entrepreneurial project. In general, family tends to get involved in all phases of the project, the exemptions are YC and LS's wife, seen from PL's point of view (see PL's phases model in Appendix 6.2). I will discuss the importance of family ties in greater detail in Chapter 7.

Professional ties unrelated to the human capital of the entrepreneur were involved occasionally, for a certain period of time; they contributed valuable competences the entrepreneur needed at a certain point in time (see Chapter 9, part II). In general, the entrepreneur involved lawyers see for instance the cases of CB and R; accountants, see CB and GK; banks, see CB and E; the Chamber of Commerce, see CB and GK; suppliers, see for instance CB and P&G; shareholders, see CB; the local incubator, see P&G and MB & AL; the unemployment services (ASSEDIC) in the case of GK; a first client, see CB and P&G; and first employees, see AL & MB as well as P&G. These ties tended to be called upon in Phases 2 and 3 of the entrepreneurial venture development, shareholders appeared in Phases 1 to 3, depending on the nature of the venture and the need for financing..

Professional ties relating to the human capital of the entrepreneur played a very important role in Phases 2 and 3 of the entrepreneurial venture and it was in particular NF, MB, E, PL, P&G, JT and JMB in phase 2 and PP, MB, E, YC, R, JMB. PL who worked with these ties in Phase 3. Entrepreneurs E and R also worked with such ties in phases 4 of their entrepreneurial project; the latter developed a phases model that considered training and education both entrepreneurs had undergone before developing their entrepreneurial project, hence phase 4 of their model corresponds to Phase 3 of the standard 3-phase model I suggested earlier. An important subcategory of the professional ties that are part of the EHC are the Anciens, the former students of the ESC Rouen. The Anciens tend to get involved both in Phases 2 and 3 (see the cases of P&G, PP, LP, MB &AL, JMB & F, E, SLB and R. In the latter's case phase 5 is comparable to phase 3 of the standard 3-phase model. In NF's case the Anciens take on a greater importance after the actual launch of the business when he starts creating franchisees. I will come back to the importance of the Anciens in Chapters 10 and 11. In some cases Anciens were involved from the beginning as co-founders. For more information see section 8.4.

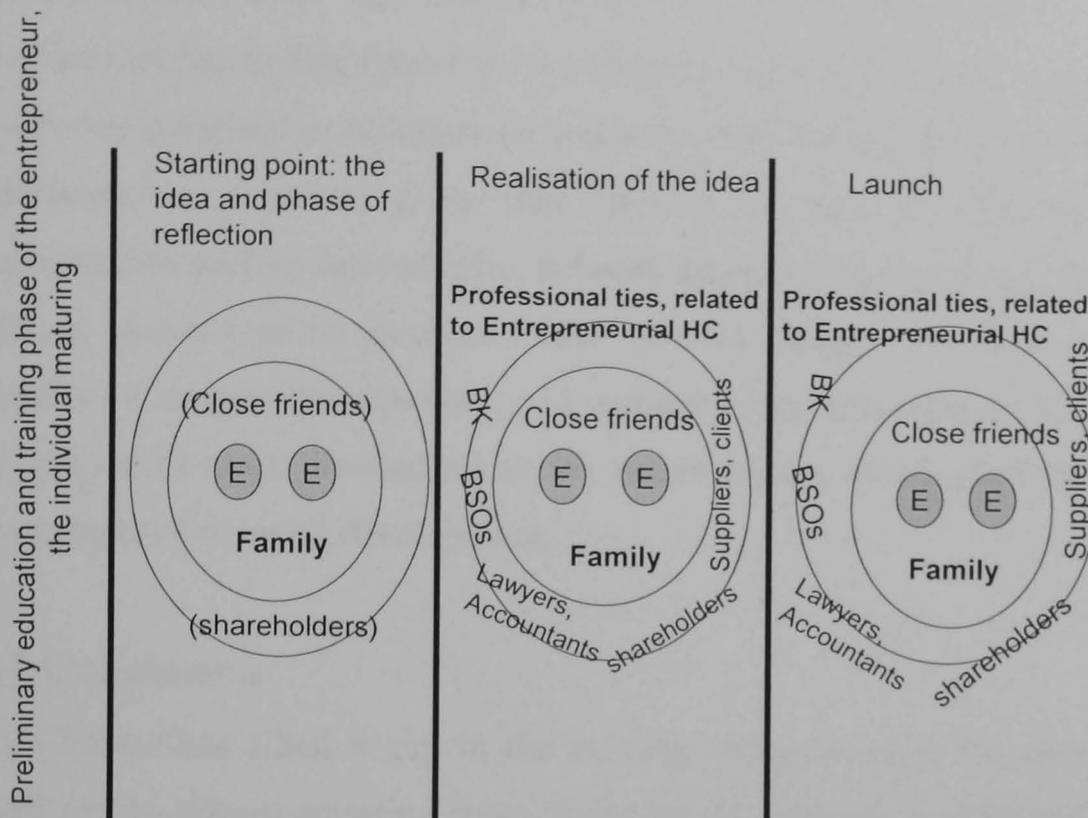
The probably most surprising aspect of the analysis of the entrepreneurial network structure is that networking with friends who were just friends was not common among the entrepreneurs I had investigated in this study. As a rule, friends tended to be former colleagues (see for instance YC, AC, JMB), a co-founder (the case of E), or entrepreneurs (see for instance R and JMB). There were also a number of entrepreneurs who did not involve any friends at all such as P&G, BS, NFi and CB. In the case of P & G this may be due to age as the two founders starting working on their project in their first year at the ESC and they did not have any friends with the necessary competences. This is similar to CB, who responded to my question why he had not involved any friends in his entrepreneurial project, that he was very young at the time of creation and that he had no friends with the necessary experience. In the case of NFi it is important to know that he created *with* his friend BS. In those cases where the entrepreneur/s involved friends in the venture this tended to happen in Phases 2 to 4, very few friends were involved in stage 1 of the venture. I will come back to the friendship tie later in Chapter 8 when I will illustrate the findings relating to the relational dimension of social capital.

There were few cases where we can see the importance of acquaintances (also see section 6.13); which are weak ties following Granovetter (1973) such is the case for NF, who met a friend of his sister in Phase 2 of his venture. This friend acted as a bridge to other clusters of professionals in Paris. A similar situation happened to E in Phase 3 (which in E's case is comparable to Phase 2 of the standard 3-phase model I proposed earlier) when she met a wine specialist through friends. This person later becomes very important for her venture. In LS and PL's case the two founders met each other due to a joint acquaintance running the local bakery, years before they actually created their company.

Examining the involvement of the co-founders we find that partnerships tend to be solid, with a high involvement of 4 to 5 by each founder. When the involvement of one founder drops, like in the case of E and JT, we can take this as an indication that something is flawed in the relationship (also see E's phases model in Appendix 6.2). This was certainly true for the latter founders who sold their venture in September 2006 due to irreconcilable differences.

On the basis of these findings I have further developed the initial phases' model (Figure 6.2) to just comprise four phases, as this research is only exploring the role of social capital at the *pre-organisation stage*. Hence I have excluded any phases related to the post-start-up and I propose a four-phases-model for the pre-organisation stage, including educational/training phases of the entrepreneur. I included a summary title indicating the different activities happening in each phases and the people involved. Figure 6.2 shows the structural dimension of social capital. I have also pointed out the potential overlap between the different phases, as highlighted by several entrepreneurs and emphasised that the entrepreneurial perception of the pre-organisation phases may vary among two or more founders. The model highlights the inner circle of network ties including in particular family, but also close friends, surrounded by a range of professional ties, predominantly related to the entrepreneurial human capital.

Figure 6.2: The structural dimension of social capital



6.16 The strength of ties

Much of the discussion surrounding network configuration has focussed on Granovetter's (1973) notion of weak versus strong ties (see section 4.6.1). Granovetter's classification of strong versus weak ties is certainly of value for much research and family and friends in this study can be classified as strong ties. The question that needs to be raised is, however, whether professional ties related to the human capital of the entrepreneur should be classified as either strong or weak ties. As already mentioned earlier there were a number of cases where ties were characterised by a multiplex character of being friends, Anciens and former colleagues, all at once. Given the multiplexity of these ties and in particular the overlap between friendship ties and professional ties, in particular those related to the EHC (as will be shown in Chapter 8), it may be questioned whether the polarisation of strong versus weak ties is justified and an accurate enough reflection of the entrepreneurial reality. In fact, the analysis of the repertory grids (see for instance P & G's first grid, YC, R, PP, CB, GK, LS, JMB, E and SLB in Appendix 6.3) has highlighted that in virtually every grid the entrepreneur distinguished between a professional and personal dimensions of the tie.

In fact, 28 concepts out of 103 I negotiated with the entrepreneurs referred to the personal versus professional tie dichotomy. However, in many cases network members were not found at either pole of that scale but rather in the middle (ranked at 3), as in the case of SLB, JMB, LS, CB, PP, R and P & G which illustrates that the existing literature that has to date focussed on a clear-cut division between strong and weak ties may be too polarised in its approach and not reflect the entrepreneurial reality. This is understandable, however, given that research, to date, has resorted to traditional measurements such as network size, network centrality and time used for networking in different phases (see for instance Greve 1995 in Chapter 3). Hence this research is unique as it applies the repertory grid method in an entrepreneurial research context, thus providing more detailed about the nature of ties involved in the early stage of entrepreneurial network development.

6.17 Conclusion

This Chapter has filled a gap in the existing literature as it has provided a phases' model for the pre-organisation stage, based on the perception of the entrepreneur. The model in Figure 6.1 shows the different phases with their associated activities and their duration. Figure 6.2 expands on the first model integrating the different ties involved in the different phases. The models proposed provide in-depth information about the structural dimension of social capital and thus fill a gap in the extant literature.

Furthermore this research contributes to the existing literature on entrepreneurial networks and social capital as it has investigated network size, network diversity and quality at the pre-organisation stage. I have pointed out the small size of the entrepreneurial network and I have illustrated the different reasons for this.

Very important is also the calculative, purposeful approach entrepreneurs have taken to networking and network creation at the pre-organisation level. Furthermore, the findings of this research show some empirical evidence for a calculative, purposeful approach already at the pre-organisation stage, which is different from Hite & Hesterly's argument that ties becomes more calculative with firm development (see Chapter 4). As the discussion in this Chapter has shown, many entrepreneurs chose deliberately who to work with throughout the venture creation process. However, the purposeful and calculative approach to network creation may be due to the analytical

approach students get taught as part and parcel of the teaching and training at French Grande Ecole.

The findings in this Chapter also add to the existing literature as the focus was on French entrepreneurs characterised by a very high level of human capital, which also found its reflection in the high quality of their network ties, with many of them having a multiplex character. The investigation of the compositional quality of network ties is an important contribution to the literature.

As highlighted in Chapter 3 and referred to in this Chapter, much research has focussed on measuring the frequency of contact between ties, yet little attention has been given to measuring the actual involvement of ties in an entrepreneurial project. Hence the findings from this Chapter are expected to fill a further gap in the literature. Furthermore the use of repertory grids in this research has cast some doubt on the appropriateness of the bipolar concept of strong versus weak ties and I have illustrated that many ties may rather be a combination of characteristics from both poles.

The findings have emphasised the need for reflexivity and reflection in the entrepreneurial network at the pre-organisation stage. The link between network size and the need for reflexivity in the network ties is a particularly important finding, given its implications for both teaching and training providers of entrepreneurship as well as business support organisations engaging with entrepreneurs. The findings underlined the need to include reflective elements in teaching and training programmes for entrepreneurship, but also reflective people as mentors and advisors, an aspect which has, to date, been neglected. I will come back to this aspect in Chapter 11.

The next chapter (Chapter 7) will look in detail at the relational dimension of social capital and in particular the importance of family ties for the entrepreneur and the entrepreneurial venture at the pre-organisation stage.

Chapter 7: The relational dimension of social capital: Family ties

7.1 Introduction

The preceding chapter presented the results from the analysis of the structural dimension, suggesting a four-phases model of the entrepreneurial start-up. I illustrated the entrepreneurial network dynamics throughout the different phases, as identified by the entrepreneurs and hence contributed to the existing literature through the establishment of a phases' model for entrepreneurial start-ups. This Chapter continues the analysis of the different dimensions of social capital and focuses on the relational dimension of social capital and in particular the role and the contributions family ties make to the entrepreneurial venture at the pre-organisation stage. I will conclude this Chapter suggesting a model which integrates the different roles and contributions of these ties.

7.2 The repertory grid concepts

An analysis of the 103 concepts found in the repertory grids suggested that the majority of them could be attributed to the three different dimensions of social capital. In addition, there were a large number of concepts that made reference to the competences of the people involved in the entrepreneurial network, which arguably represent the human capital of a person (see Appendix 6.3).

Out of 103 concepts almost 50%, i.e. 49 concepts, referred to the relational dimension of social capital and 22 of the 49 concepts could be attributed to the dichotomous relationship '*lien affectif/personnel/emotionnel versus lien professionnel*', i.e. affective/emotional/personal tie versus professional tie. Furthermore there were a number of concepts that expressed very closely related ideas such as '*inspiration personnel versus inspiration professionnel*' (personal versus professional inspiration), which appears twice, '*échange cadre amical versus échange cadre professionnel*' (exchange among friends versus exchange among professionals) (1), '*soutien personnel versus soutien professionnel*' (personal versus professional support) (1) and the concept of '*proximité versus distance*' (proximity versus distance) (2). This suggests that a large number of concepts (28) were chosen by the entrepreneur/s to describe the key distinction of a personal/emotional link/relationship versus a professional relationship, which gives a major insight into how the entrepreneur categorises the members of his/her network. Furthermore this finding also confirms the thematic analysis of the interviews which had identified family, friendship and professional ties as key concepts.

However, given the nature of repertory grids, as discussed in further detail in Chapter 5 the entrepreneur was able to evaluate the people in his entourage on a Likert-scale of 1 out of 5, which gave him/her the possibility to further differentiate the people's position in his/her network.

7.3 Kinship/family ties

Researchers such as Donckels & Lambrecht (1995) and Schutjens & Johannisson (1996) have suggested that there may be a link between entrepreneurial personality, networking and the performance and growth of the venture, which suggests that the personal history of the entrepreneur which comprises the family background, education and professional experience, could have an impact on the way (s)he configures his/her network. Indeed, as the study shows, an entrepreneurial family background and hence the early socialisation with entrepreneurial values through the family may be an important influence on the personal history on the entrepreneur. Gibb Dyer (2003) points out, however, that little research has focused on the role of family in the venture creation process, despite the importance of education and early socialisation through the family, and in particular the influence of parents as role models. Shapero (1975) and Shapero & Sokol (1982) were among the first to investigate the role of parents in forming an entrepreneurial orientation in future entrepreneurs when he developed an intention model. Later Cooper & Dunkelberg (1987) confirmed that entrepreneurs tend to be better educated, come from families where the parents own a business, start their firms in a previous work related area and often locate where they are already living and working. In support of this view Minniti & Bygrave (2001) argue that the observation of entrepreneurial activity in one's proximity makes the choice of becoming an entrepreneur easier and Brockhaus & Horowitz (1986) confirmed the role model of father and mother as significantly predictive for entrepreneurial activity. There are a small number of studies that have considered the role of family and friends as social capital in entrepreneurial venture formation, examples are Anderson & Miller (2003) and Davidsson & Honig (2004) (for a review of both studies see Chapter 4).

Plickert (2007) also highlight that there may be "cultural, structural and perhaps biological reasons for kin to be supportive and reciprocating suppliers of social capital" (p. 410). Given that 'blood is thicker than water, the promotion of family welfare encourages kin to share resources and motivates them to give other kin privileged access to resources held by them (Plickert 2007). As the author points out, North

Americans tend to distinguish between kin and friends and further distinguish different types of kin, such as immediate kin, i.e. parents, adult children, siblings, including in-laws, compared to extended kin such as aunts, uncles, cousins and grandparents. Plickert underlines the importance of kinship ties as about half of all socially close ties in a network tend to be kin. Earlier work by Wellman & Wortley (1989) had found that kin differs from friends (and neighbours) in their patterns of support; parent-adult children ties were the most supportive of all ties, although such support tends to be unidirectional (Grundy 2005), with parents providing high levels of major services, financial aid and emotional support. Siblings, i.e. brothers and sisters, tend to provide each other with support, though not to the same extent as parents and adult children.

7.4 The family environment: the historical and contemporary dimensions

Among the thirteen cases explored in this study there are a number of entrepreneurs who emphasised the importance of the 'family' for their entrepreneurial project. Appendix 7.1, which is representative for the analysis of all ties, gives an overview of the results from the data analysis relating to the theme 'family'.

It is important to understand the historical dimension of the 'family' tie, as children receive their primary socialisation from their family during childhood (Berger & Luckman 1967) when the family plays a vital role in encouraging or discouraging the development of an entrepreneurial spirit, a favourable or an unfavourable attitude to entrepreneurship, the promotion of certain entrepreneurial values as well as providing entrepreneurial role models. I argue that this aspect is vital to the development of the entrepreneurs considered in this study and I hence consider the historical dimension of family ties in greater detail than may possibly be expected.

Equally important is the actual support for the adult entrepreneur during the start-up, when the latter finds emotional and practical support but also advice in immediate family such as parents or a father-in-law. A special role is also often given to the male or female partner in the venture as (s)he takes either an active participatory role (such as in the case of LS and PL) or a support function as in the case of GK and JMB.

Given this background the analysis of the family tie will be three-fold: I will first deal with the historicity of the family tie, to be followed by an exploration of contributions

of the family tie to the entrepreneurial project. Thirdly I will illustrate the role of the male/female partner in the venture creation process.

I will specifically focus on the family environment of the entrepreneur having acted as:

- a) either promoting entrepreneurial values (the case of NF and R) or enterprise creation itself (the case of JMB), or
- b) promoting a certain work ethic (the case of P&G).

When discussing the importance of family for the early socialisation of the entrepreneur it is, however, often forgotten that there may be a dark side to the family as the latter can also act as a deterrent/barrier to entrepreneurship, which I will illustrate through the case of G (from P&G), YC and BS.

7.5.1 The Family tie in a historical perspective

7.5.1.1 Promoting entrepreneurial characteristics/entrepreneurial values

NF's case offers an illustration of a family environment that has encouraged entrepreneurial characteristics such as independence and initiative taking among the children. First, the parents promoted an education that encouraged independence and initiative taking, but they also wanted them to choose a profession which they would enjoy and where they could develop themselves. Indeed the parents wanted them to get up in the morning and be happy to go to work. This has certainly affected the young NF as emphasised in the interview with him in March 2006 and has impacted on his desire for independence and setting up his own company. As NF recalled during the interview:

In fact, I have a family, have received an education which has prioritised independence, which has prioritised or encouraged initiative taking and the individual independence of children, where I was exposed to a discourse which emphasised these as really important, and that is something that has really influenced me, what is important in professional life is that you realise yourself in the work. Hence our parents told us: if you want to be a plumber or something else it does not matter, the most important is that you have a job you enjoy, where you are happy. It is very important that you can get up in the morning and that you are happy to go to work. I am very conscious of the fact that this is an enormous privilege as not everybody has been brought up like this.

(..en fait j'ai une famille, j'ai reçu une éducation où on laissait une part importante à l'indépendance ou on privilégiait, on incitait même la prise d'initiative et d'indépendance individuelle des enfants, ou j'ai eu un discours comme quoi ce qui était important, ça c'est quelque chose qui m'a vraiment marqué, ce qui est important dans la vie professionnelle, c'est de se réaliser dans son travail, et donc le discours de mes parents par rapport à ça était dire: si vous voulez être plombier ou quoi ce soit, peu importe, le plus important c'est que vous ayez un travail, dans lequel vous vous épanouissiez, vous soyez heureux, ce qui est plus important c'est de pouvoir se lever le matin et être content de travailler. J'ai bien conscience que

c'est un privilège énorme que j'ai parce que comme tout le monde n'est pas éduqué dans cette logique là (interview with NF 01.03.2006).

Similar to NF, yet different, R described his parents as '*entreprenant*' entrepreneurial/enterprising. Although there are no entrepreneurs in R's environment, his father worked in a technical function in a large company, his mother looked after the children, his parents succeeded in transmitting the idea of being enterprising to the young R, which he associates with a dynamic, energetic, proactive way of tackling the future. As he explained in more detail on 21.11.2006:

Well, I think there were no entrepreneurs – in the sense of company creation (around me), but rather in the sense of being entrepreneurial/enterprising in your career, your life etc. Well, yes, my parents. Being enterprising. Not an entrepreneur, that is true but enterprising. That's what they were. (Si je pense que ..Enfin, des entrepreneurs dans le sens création d'entreprise, non, mais dans le sens entreprenant dans sa gestion de carrière, dans sa vie etc. Mes parents. Le côté entreprenant. Pas entrepreneur _c'est vrai_ mais entreprenant. Ça, je pense qu'ils l'avaient.).

Being asked to define the terme "entreprenant" (enterprising) R responded:

A great dynamism, much energy, a certain way of thinking about the future and trying to impose your choices, not to suffer your future (Un grand dynamisme, beaucoup d'énergie, une manière de réfléchir à l'avenir et d'essayer d'imposer ses choix aussi, de ne pas subir son avenir.

In particular the idea of being in charge of your own destiny seems to have got stuck in the young R's memory, an idea which resembles Rotter's (1966) locus of control. Rotter distinguished between two common approaches, which place either the actual control internal or external to a person. Key to the concept is the question to what extent individuals place, depending on their own subjective experience, responsibility, choice, and control over event in their own lives. In R's case his parents encouraged an 'internal locus of control' in the young R. This encouraged a sense of self-direction in their young son, which he developed fully later in his adolescence when he carefully planned his career to become an entrepreneur.

7.5.1.2 The promotion of a certain work ethic

The family background may also play a major role in promoting a certain work ethic amongst the children which would condition the founder for his/her later life. In the case of P, his father created his own business when P was still a child and in an interview on 29.1. 2007 P said:

Working was natural, my father got up very early in the morning. This did not disturb ('travailler était naturel, mon père s'est levé tôt le matin. Ca ne dérange pas').

P's father grew up on a farm, he pursued his studies on a part-time basis, obtained a BAC (equivalent to A-level) and a BTS (professional qualification A-level plus 2 years). He later entered into a joint venture with his 3 brothers who wanted to create a commercial venture to export beef. Hence P grew up with a work ethic that suggested working was the natural way of being, and that there was nothing wrong with working long hours.

Looking at P's co-founder, G, we find that although nobody has created in his immediate family, his father is a doctor and his mother is a lecturer, his parents passed on a similar work ethic to their son. In an interview on 29.01.2007 I asked him to expand on this.

G: *Well, personal fulfillment can be found in work.* My parents believe this, yes. I grew up in this milieu (L'épanouissement se trouve dans le travail. Mes deux parents pensent ça, oui. J'ai grandi dans ce milieu-là.

RK: *Interesting. We have never talked about this before. Does this mean that your parents found their personal fulfilment in their work and that they transferred this idea over to you?* (C'est déjà bien. On n'a encore jamais parlé de ça. Que vos parents trouvaient quand même leur épanouissement dans le travail, donc qu'ils vous ont transféré cette idée?)

G: *Obviously.* (Ah oui. Clairement).

RK: *How? What did they say?* (Comment? Qu'est-ce qu'ils vous ont dit?)

G: *What they said? Since I was young it has been like this. It has always been like this. I had to see the things for myself. I had to succeed at school* (Qu'est-ce qu'ils ont dit? Depuis que je suis tout petit c'est comme ça. Ça a toujours été comme ça. Il fallait que je voie les choses. Il fallait que je réussisse à l'école)

RK: *Succeed at school, but why? To develop yourself?* (Mais réussir à l'école pour faire quoi? Pour s'épanouir?)

G: *To develop yourself to have a good career, etc. If you need an end point it would be this. In order not to regret anything, this was it. In order not to regret anything and have all possibilities open to you.* (Pour s'épanouir, pour aller... pour avoir une bonne carrière etc. S'il faut qu'il y ait une finalité derrière, c'était ça. Pour ne rien regretter, pour avoir donné toutes ses chances).

As P and G know NF personally I mentioned NF's parents' influence on the young entrepreneur and how they encouraged their children to find fulfilling and motivating profession where they would get up in the morning and be happy to go to work. In response to my question G explained:

G: *It is the question of the 'Why' which is the most important. At the beginning when I entered the ESC I did not really know why I had gone there. I had to find something which would inspire me to go there (every day) and I found it. I think that it took me quite some time to find it, but now I know why I get up in the morning and I know why I like to go to work. Thus for me this gives me the inspiration to get up every morning* (C'est la question du pourquoi qui est la plus importante. Au début, quand je suis rentré à l'école, à l'ESC, je ne savais pas vraiment pourquoi je venais etc. Il a fallu que je trouve quelque chose pour me donner envie d'y aller et je l'ai trouvé. Je pense que j'ai mis beaucoup de temps à trouver mais maintenant je sais

pourquoi je me lève le matin et je sais pourquoi j'ai envie d'aller bosser etc. Donc moi, voilà ce qui me donne envie de me lever le matin).

As G underlined on this occasion, what counts most is the 'Why' you do things. When he started the ESC he did not really know why he was there, he needed a reason to get up every morning. The entrepreneurial project he and his associate P were working on gave him this rationale.

G further expanded on his parents' influence on his work ethic:

Well, it is true. They have told me and told me again, yes, but after all it is also about the idea that you cannot be happy if you don't work. This is really it. And if you don't work a lot... (Oui. Ça, c'est sûr. Oui, ils l'ont dit et même redit. Oui. Mais après c'est le côté: on ne peut pas être heureux si on ne travaille pas. C'est vraiment ça, l'idée. Et si on ne travaille pas *beaucoup*.)

RK: *So you cannot be happy* (On ne peut pas être heureux...)

G: *If you don't work a lot. This is really it* (si on ne travaille pas *beaucoup*. C'est vraiment le...)

G's father works as a doctor and his mother as a lecturer; she is a civil servant, with employment security for life. As G highlighted, his mother works less than his father, but the type of work is also very different. They have both transmitted certain values to him and it is not the actual number of hours worked that counts. As he underlined, it is very difficult to measure their work, as theirs are intellectual activities. It is rather the concept of work that has been transmitted to him.

G: My mother works less than my father, this is obvious. But these are types of work which are very different from each other. It is more about a value that has been transmitted by my parents, rather than the number of hours worked. My parents are really in... their work cannot be measured by the number of hours. This is it really. They are working intellectually. You cannot measure this. You won't start measuring my mother's work in percentages of successful candidates at the A-level, or my father according the number of patients he has healed. That would not say much... You cannot measure it, it is rather about the concept of work. (Ma mère travaille moins que mon père, c'est sûr. Mais c'est des formes de travail qui sont à chaque fois différentes. C'est plus une valeur véhiculée par mes deux parents, plus que le nombre d'heures travaillées etc. Mes deux parents sont vraiment dans le... On ne peut pas mesurer leur travail. C'est ça, l'idée, quelque part aussi. Ils sont plus dans l'intellectuel. On ne peut pas mesurer. On ne va pas commencer à mesurer le travail de ma mère en pourcentage de réussite au bac. .. Ou le nombre de patients que mon père a guéris. .. Ça ne veut rien dire. ... On ne peut pas mesurer mais c'est juste le concept de travail).

As I conducted the interview with both entrepreneurs P and G simultaneously, P responded to G's comments immediately:

P: Well, the value of work has also been strongly presented to me but I would not say that I have been completely inculcated. This means that I have lived this somehow since I was very young. When I was young, I got up, my father had already left, I came home, he had still not returned... Well I saw him very little. But this is ... let's say... It

seemed normal to me to work, it seemed natural. It seemed normal to me as everybody around me was like this, in fact. Even during the holidays, we had to help, wherever possible, we did little things but it seemed normal to us because... (Enfin, La valeur du travail était aussi très fortement présenté. J'ai envie de dire, on ne me l'a pas inculquée. C'est-à-dire que je l'ai vécu depuis que je suis tout petit, quoi. Enfin, quand j'étais petit, je me levais, mon père était parti, je rentrais, mon père n'était pas encore rentré et... Enfin, je le voyais très peu. Mais ça s'est... Enfin, comment dire? Ça me paraissait naturel, en fait, de travailler. Ça me paraissait naturel parce que tous les gens autour de moi étaient comme ça, en fait. Même pendant les vacances, on donnait un coup de main à droite, à gauche, on travaillait, on faisait des trucs mais ça paraissait naturel parce que...).

Asking whether this way of life had become part of the family culture, P responded:

Well, yes, a bit. It is true that we never asked many questions. In fact, I have never seen my father come home at 4 in the afternoon having finished his working day. Well yes, it was normal to us. Well, when we were young he was there, but afterwards this worked out quite easily. Finally if you like what you are doing ... this does not disturb... it is a pleasure to work a lot. (Oui. Un petit peu, oui. C'est vrai qu'on ne s'est même jamais posé la question. Enfin, je n'ai jamais vu mon père rentrer à quatre heures de l'après-midi en ayant fini sa journée. Donc oui, ça s'est fait naturellement. Quand on était petits, on l'a eu. Après, forcément, ça s'installe plus facilement... Enfin, quand on aime bien ce qu'on fait, après on... Ça ne dérange pas de... Ça fait plaisir de travailler beaucoup).

P continued to explain the family life:

Well this has never disturbed us, it was like this and that's it. And every Sunday the whole family was together, this was sacred, we have always had this. (...) And in the same way my parents never told us: you have to do this profession. They have always let us do what we wanted to do, at least in terms of our studies. My sister has studied medicine, I have attended a Grande Ecole de Management. My brother is at an engineering school. Well they have always recommended that we should not do whatever but they left the choice to us. In comparison, in terms of work it was very stimulating... When you see your parents work a lot and when you know the story and when you know how it works, this is very stimulating and it pushes you to invest yourself, to work really hard to have... Well you know my father did not study, he stopped, he started to work when he was 14 years old and he recommenced his studies in a distance learning mode afterwards. (Enfin, ça ne nous a jamais dérangés parce qu'on était habitués, que c'était comme ça et puis voilà. Et puis, outre ça, tous les dimanches on était en famille. Le dimanche midi, ça a toujours été sacré. On a toujours eu... (...). Et, de la même façon, ils ne nous ont jamais orientés ni dit: "Il faut faire ça comme métier." Ils nous ont toujours laissé faire ce qu'on voulait. Enfin, comme études. Ma sœur a fait médecine. Moi, j'ai fait une école de commerce. Mon frère est en école d'ingénieurs. Bon, toujours, bien sûr, en conseillant pour ne pas faire n'importe quoi mais ils nous ont laissés assez libres. Par contre, c'est vrai qu'ils nous ont... En termes de travail, c'est stimulant de... Enfin, quand on a vu ses parents travailler beaucoup et quand on connaît un peu l'histoire et qu'on sait comment ça s'est passé, c'est vrai que ça stimule, ça pousse à s'investir, à travailler vraiment et à avoir... Enfin, mon père n'a pas fait d'études, en fait. Il a arrêté... Il a commencé à travailler à quatorze ans et il a repris des études par alternance après, en fait).

This section has highlighted the importance of family for promoting entrepreneurial values, but also a certain work ethics that makes work and working a lot a natural way of being.

7.5.1.3 Family as role models: mixed evidence

As the interview analysis has shown, the entrepreneurial views about the importance of role models diverged greatly. Some entrepreneurs denied drawing on a role model such as PL, a serial entrepreneur coming from a family of entrepreneurs. Knowing that his uncle had created a famous French luxury brand I asked him whether this person had acted as a role model for him. PL denied such a possibility, explaining that it was rather his mother who had influenced him due to her decision making capacity, and he had reproduced this trait. This is very similar to Cheetham & Chivers (2001) who had found that young professionals who did not use role models tended to copy particular ways of doing things, rather than personality traits. Later PL suggested that his friend D would be the closest person anybody comes to being a role model for him. D, although not an entrepreneur, had impressed him through his capacity to do things and his extremely well developed analytical spirit.

No, this was not a model for me. No, perhaps, .. I don't know. I saw my mother decide. Perhaps I have reproduced this capacity to decide. My friend, D, is not an entrepreneur, but his way of dealing with the daily life, that was... he had a determining influence on my professional life, through his capacity to do things, to be concrete, to be precise. He has an extraordinary sense of analysis. Yes, he influenced much the way... Now, as at some stage people were talking about Bernard Tapie (a well known French entrepreneur from the eighties), or other important decision makers, frankly I.. . I could admire the success of some of them, but saying that they inspire me as models... You know, for the moment I don't have the idea that I was inspired by any model. There are some people who I know who have had careers which I admire. However, reproducing what they did and using them as a model, no. I don't have an idol (Ce n'est pas un modèle, non. Non. Peut-être... Je ne sais pas. Je voyais ma mère décider. J'ai reproduit peut-être cette capacité de décider. Mon ami D, ce n'est pas un entrepreneur mais, dans sa manière d'agir au quotidien, ça a été un... Lui a été très déterminant dans ma vie professionnelle. Par sa capacité à faire les choses, à être concret, à être précis. Il a un sens de l'analyse extraordinaire. Oui, lui a beaucoup influencé la manière dont... Maintenant, comme à un moment on parlait de Bernard Tapie ou de grands décideurs, franchement je... Je pourrais être admiratif de la réussite de certains mais de là à dire que je m'en inspire comme modèles... Vous savez, pour l'instant, moi, je n'ai pas l'idée de dire que j'étais inspiré par un modèle. ... Non, il y a des gens qui ont des parcours, que je connais, que j'admire. Maintenant, reproduire ce qu'ils ont fait et m'en servir comme modèle, non. Je n'ai pas d'idole). (interview with PL on 22.09.2006)

Different from PL, entrepreneurs such as JMB and NF found role models in the family particularly influential and they identified individuals such as the father as particularly influential, as I will illustrate in this section. Further attention to friendship and professional ties as role models is given in Chapters 8 and 9 respectively.

JMB's father created his own business when JMB was about five to six years old. Both parents worked in the newly created company. As JMB underlines he was brought up

in a culture of enterprise creation, which gave him a first experience. He was living with it every-day of his young life. As he commented:

Well, for 20 years, they were telling me that creating a company was fantastic. Hence I was brought up in a culture of enterprise creation. Of course. Hence, I got it too, yes that is obvious. I had it in front of me for a long time (Et donc, pendant vingt ans, on a dû m'expliquer que créer une entreprise, c'est fantastique. j'ai évidemment été élevé dans la culture de la création d'entreprise. Forcément. Donc ça, je l'ai eu. Oui. C'est évident. Je l'ai eu sous les yeux pendant longtemps) (interview with JMB on 28.7.2006).

In particular, JMB's father has been of great importance for the latter's entrepreneurial career as he has had a strong influence on his education and as JMB highlights, perhaps even impacted on his '*envie d'être plutôt entrepreneur*', i.e. his desire to become an entrepreneur. Although initially unsure about any possible role models that may have affected his decision to become an entrepreneur JMB finally mentioned his father, who although in a good professional position, handed in his notice to create his own business. As he explained:

I think this rather comes from my parents and more precisely from my father who created his own company (Je pense, qu'effectivement, ça vient plutôt de mes parents et plus précisément de mon père que lui, il a essayé de monter une boîte'(interview with JMB on 28.7.2006).

He expanded further:

Well, possibly, because he is the closed example I could give. Yes, probably. Well he is probably the only one for me. Yes, my father, as in fact, my father's experience, that means: he was an employee in a company and at some stage he handed in his notice, although his job was gratifying and all we wanted, in order to launch himself in this creation, which was very complicated, very long to get off the ground, etc. and yes it is true, this is probably how I got my first perception of an entrepreneur. Well, in my family this was presented like this. Clearly because this was the reality of the situation of my father, which, first of all, was a sacrifice. As you first start to sacrifice certain things. And then you have additional difficulties to deal with (Oui, éventuellement, puisque c'est le plus proche exemple que j'aie pu voir. Oui. Probablement. Oui, ça doit être à peu près le seul pour moi. Oui, mon père. Oui. Parce que, en effet, l'expérience de mon père, ça a été de dire: Il était salarié dans une entreprise et, à un moment donné, il a abandonné son statut de salarié qui était tout ce qui a de plus intéressant, gratifiant et tout ce que vous voulez pour se lancer dans une création d'entreprise qui, elle, a été très compliquée, très longue à aboutir et autres. Et c'est vrai que c'est de ce côté-là, moi, que j'ai probablement eu ma première perception de l'entrepreneur. ...Moi, dans ma famille, ça m'a été présenté comme ça. Forcément puisque ça a été la réalité de la situation de mon père, qui a été d'abord un sacrifice. Parce qu'on commence d'abord par sacrifier certaines choses. Et ensuite des difficultés supplémentaires pour arriver à...) (interview with JMB on 28.7.2006).

JMB continued:

Well then we can talk about an ideal. To get to the ideal of the entrepreneur in terms of choice, liberty and way of life. But this starts really in the mind, in everything that was presented to me since I was young. It is good to say: well first it is a sacrifice, then there are additional difficulties. It was not never represented as something of fun, something funny or... Well, for me entrepreneurship is really....My father created his company when I was very young, five, six years old. Hence I only knew what they told me or what I perceived in my family circle. And what I felt for a long time was really this. It was this side of a sacrifice, yes there are difficulties, but it is so beautiful. It is a bit like this if you want. But my father who is now 61 years old, is still completely convinced of what I have just told you. It is a sacrifice but it is so beautiful. Well, that is it. This is a vision of entrepreneurship and surely a vision that is part of my family circle and it was the first that was presented to me (Et là on peut commencer à parler d'idéal. Pour arriver à un idéal d'entrepreneur, de choix, de liberté et de mode de vie. Mais ça commence bien dans l'esprit... Dans tout ce qui m'a été présenté depuis que je suis tout petit, ça a commencé... C'est bien en disant: "D'abord c'est un sacrifice, puis c'est des difficultés supplémentaires." Ça ne m'a jamais été présenté comme quelque chose de fun, de rigolo ou... Voilà. L'entrepreneuriat, pour moi, c'était vraiment... Mon père a dû créer sa société, je devais avoir... J'étais tout petit. Je devais avoir _je ne sais pas_ quelque chose comme cinq ans. Cinq, six ans. Donc moi, je n'en ai connu que ce qu'on m'en a raconté ou que ce que j'ai ressenti chez moi, dans mon cercle familial. Et ce que j'ai ressenti, vraiment, pendant longtemps ça a été ça. Ça a été le côté: c'est un sacrifice, c'est des difficultés mais c'est tellement plus beau. C'est un peu ça, si vous voulez, l'idée. ...Mais mon père, qui a aujourd'hui soixante et un ans, est encore complètement persuadé de ce que je viens de vous dire là. C'est un sacrifice mais c'est tellement plus beau. Voilà. C'est ça. C'est une vision de l'entrepreneuriat et c'est sûr que c'est celle qui est dans mon cercle familial et que c'est la première qui m'a été présentée) (interview with JMB on 28.07.2006).

It is very interesting to follow JMB's train of thought which evokes, on the one hand, the idea of a sacrifice and difficulties, but on the other hand the idea of the beauty of entrepreneurship. Entrepreneurship, setting up your own business, in the way it was presented to him, was reflected in this contraction. Furthermore the entrepreneur emphasised the importance of the early socialisation through the family, the early familiarisation with entrepreneurial values such as choice and liberty. It all started in the mind when he was young. For him and his family being entrepreneurial was a way of life. He did, however, not hesitate to talk about the downside of entrepreneurship such as the sacrifices the family had to make and as he underlined it was certainly not always about having fun. What made a difference, however, was the fact that his father, although he has retired since then, is still convinced that there is nothing better than being an entrepreneur despite all the problems encountered.

JMB stressed that the familiarisation with entrepreneurship did not include a financial dimension. He explained this further in the same interview,

There was absolutely no financial dimension. Because from a financial point of view my father's company took years, years and years to become stable and profitable. Well there were always difficulties all the time, at least until I joined the ESC, which is until I was 20 years old, so from me being 5 to 20 years old, which is quite long. During this time, my father's company had lots of difficulties. Well, then, finally for me that was

really not a way of making money quickly. For me, that was not it. It was rather the difficulties linked to an ideal, to a way .. to a way of life, something along those lines. But..it was certainly not financial aspects that were emphasised, which could have been the case of a family environment where somebody has this idea of a company which works well very quickly and where we can say: enterprise creation equals faster progression in comparison to salaried status. For me this was not the case. This was not the way I lived it, I discovered it during my childhood and as a young adolescent. (Et pas du tout la dimension financière. Parce que, en fait, du point de vue financier, l'entreprise de mon père a été... a mis des années, des années et des années à être stable et rentable. Donc, en fait, ça a été surtout des difficultés pendant tout le temps. Au moins jusqu'à ce que je rentre en école de commerce. Donc jusqu'à ce que j'aie vingt ans. Donc de mes cinq ans à mes vingt ans. C'est quand même très long. Pendant tout ce temps-là, l'entreprise de mon père n'avait que des difficultés. ... Enfin, pour moi, c'était vraiment... Ce n'était pas... Ça n'a jamais été une façon de gagner plus d'argent plus vite. Pour moi, ce n'était pas ça. C'était vraiment plutôt des difficultés liées à un idéal, à une façon... à un mode de vie, à quelque chose comme ça. Mais pas... Ce n'était pas du tout l'aspect financier qui était mis en avant. Ce qui pourrait être le cas dans un environnement familial où quelqu'un a comme modèle une entreprise qui marche tout de suite, très vite, très bien et où on peut se dire: création d'entreprise = progression plus rapide que... par rapport au salariat. Moi, ça n'a pas été le cas. Ce n'est pas comme ça que je l'ai vu, que je l'ai découvert pendant mon enfance et mon adolescence (Interview with JMB on 28.07. 2006).

Being prompted whether this idea of sacrifice and difficulties was not putting him off from creating his own business, JMB responded:

No, it is still an ideal way of life. You have to understand that at that time my father explained to me that yes it was difficult, but yes so much better. Because he continued as he was deep down persuaded that it was so much better having all these difficulties as company director than as an employee. Hence he was completely persuaded that even with many difficulties, that it was always better being company director and running your own business than being employee in a company, in a company that belongs to somebody else. So this was always presented like this to me. There are difficulties, but above all this is a type of ideal, something better, which is more beautiful, which is more glorious, more than I can express. Without using words that are too exaggerated, this is the idea; the idea is ... This idea has been with me all my childhood and my adolescence, that's it. Creating your own company, this is hard, but also beautiful. (Eh non parce que c'est toujours lié à un idéal de mode de vie. C'est-à-dire que vous comprenez bien que, pendant tout ce temps-là, mon père m'a expliqué que oui, c'était difficile mais oui, c'était tellement mieux. Parce que si lui continuait, c'est que lui, il était profondément persuadé qu'il valait mieux avoir des difficultés en tant que chef d'entreprise que de ne pas en avoir en tant que salarié. Donc lui, il était... Il est complètement persuadé que, même avec beaucoup de difficultés, c'est toujours mieux d'être chef d'entreprise et de mener son propre business que d'être salarié dans une entreprise... dans l'entreprise de quelqu'un d'autre. Donc ça m'a toujours été présenté comme ça, en fait. C'est des difficultés mais surtout c'est une sorte d'idéal, quelque chose qui est mieux, qui est plus beau, qui est plus glorieux, plus je ne sais quoi. Sans y mettre de mots trop exagérés, c'est quand même ça, l'idée. L'idée, c'est... Moi, l'idée qui a prévalu pendant toute mon enfance et mon adolescence, c'est ça. C'est que créer son entreprise, c'est dur mais c'est plus beau) (Interview with JMB on 28.07. 2006).

For JMB's father being an entrepreneur and running his own business was an ideal way of life. Despite all the difficulties he has gone through he can still look at the bright side of entrepreneurship. He has no regrets and laughs off the difficulties he has experienced. As JMB further explained,

In any case, they are very happy. My father is very happy. He does not regret anything. And now he can look back on all those past difficulties and laugh about them. Thus obviously, this is more... let's say that the gratifying side (of creating a business) was more present than the difficult parts, in my eyes, at that time. (En tout cas, eux en sont très contents. Mon père en est très content. Il regrette pas du tout. Et voilà. Maintenant, il voit ses difficultés passées en rigolant. Donc forcément... C'est plus... Disons que le côté gratifiant a été plus présent que le côté difficultés, à mes yeux, pendant tout ce temps-là.

The way his parents have dealt with these difficulties has certainly influenced JMB's vision of setting up, running a business and being an entrepreneur. He admitted that the difficulties were very real, yet was always presented to him as something gratifying, more gratifying than difficult. These positive feelings even linger after the official retirement of the father. His parents have no regrets despite all the sacrifices made and their positive attitude has certainly influenced JMB's perception of entrepreneurship.

JMB's case is similar to NF who also emphasised the value of having his parents as role models. His mother passed her A-levels at the age of 40, she later studied 'speech therapy' and created her own practice at the age of 45. NF's father showed an equally entrepreneurial spirit when he created his own company in 1985. Both parents played a major role in the early socialisation and familiarisation of the young NF, yet for his entrepreneurial project NF primarily worked with his father. In an interview on 01.03.2006, he explained the importance of his father as a role model:

The second example is my father who created his own company in 1985, he must have been in his 40s and he had worked as an employee for a certain number of years in different companies. So he decided to create his own company. I think this has played a role in my childhood, in fact this is the second strongest factor, which has influenced my decision to create my own company (Le 2. exemple c'est mon père qui a aussi monté une société en 85, je crois, il doit avoir un quarantaine années aussi, après avoir travaillé un certain nombre d'années dans les entreprises comme salarié. Donc il a décidé de monter sa société. Je pense ça joue aussi dans le cadre de mon enfance, c'est le deuxième point fort qui a participé à ma décision de créer une entreprise (interview with NF on 01.03.2006).

NF's father certainly influenced NF during his childhood and played a major role in his decision to create his own business. In particular the discussions with his father were of importance for NF:

Well yes regarding the family. I have mainly spoken to my father who himself created a company ...well I have discussed it quite a bit with him. (Oui, alors sur la famille, j'en ai principalement parlé avec mon père qui avait déjà monté une boîte etc.... donc ça j'en ai pas mal parlé avec lui' (interview with NF on 01.03.2006).

Similar to JMB and NF, PL has benefited from a stimulating family environment coming from a family of creators. He emphasised the importance of an entrepreneurial mindset similar to JMB and the importance of the unconscious. PL expanded in an interview on 22.09.2006:

It is rather the fact of coming from a family of creators. Because in my family there are my parents, my uncle... This is very stimulating, of course. If I had had parents who had been teachers or civil servants or Perhaps I would have a different mindset. Because I would have known different things. Hence I would say that the family environment... (Le fait d'être dans une famille de créateurs. Parce que, dans ma famille, il y a mes parents, mon oncle C'est très stimulant, bien sûr. J'aurais eu des parents enseignants ou fonctionnaires ou... Peut-être que j'aurais un esprit différent. Parce que je connaîtrais des choses différentes. Donc je dirais que l'environnement familial ...)

RK: *.. has stimulated you, encouraged you?* (Ça vous a stimulé, encouragé?)

PL: *I don't know. I was... You know, I think a lot is unconscious. I was... I had decided to do this. I did not ask myself many questions. That was... You don't ask many questions if you have all the competences to .. I started. I could feel things, the clients. Perhaps it was not perfect but at least concrete... (Je ne sais pas. J'avais... Vous savez, je pense qu'il faut beaucoup d'inconscience. Moi, j'avais... C'était ça que j'avais décidé. Je ne me posais pas de questions. C'était... On ne se pose pas la question si on a toutes les compétences pour... J'ai démarré. Je sentais les choses, les clients. Peut-être que ce n'était pas parfait mais, au moins, c'était concret (interview with PL with 22.09.2006).*

Like JMB and PL, PP, who created SAPP with CB in 1990, put forward the importance of an entrepreneurial mindset. PP's parents were entrepreneurs; they were running a delicatessen in Paris. This taught him at an early age what it was like to be your own boss as well as what producing and selling were about. As a consequence he never felt like an employee in whatever company he had worked for. He concluded, however, that there is something like an entrepreneurial mindset and that people either have it or not, which is certainly very similar to the still ongoing 'bred or born' debate.

When you want to create a company, it is all a question of the mindset. On the one hand, even though, at a different level (in relation to his present business) my parents were entrepreneurs as they ran a delicatessen, I knew already what it meant to be your own boss as they had a perspective of somebody who was producing and selling. And yes it is also true that in all the companies I have worked for, I never considered myself as an employee, I was always... I never looked at the time I spent, I always invested myself without expecting much in return directly from my boss because I did, I was completely behind my job and I wanted to realise my ideas. I think that an entrepreneurial mentality exists. Either you got it or not (Quand on veut être créateur d'entreprise, il y a tout un état d'esprit. D'une part, même si c'était à un niveau différent, mes parents étaient entrepreneurs puisqu'ils avaient une épicerie fine, donc je savais déjà ce que c'était que d'être patron puisqu'ils avaient une optique de gens qui fabriquaient et qui vendaient. Et puis c'est vrai que, dans les entreprises où j'ai travaillé, je ne me suis jamais considéré vraiment comme un salarié, j'ai toujours... Je n'ai jamais regardé mon temps, je me suis toujours investi sans attendre un retour forcément direct de mon patron parce que ce que je faisais, j'en étais pénétré et je voulais aller au bout de mes idées. Je pense qu'il y a une mentalité d'entrepreneur qui existe. On l'est ou on ne l'est pas) (interview with PP on 26.11.2006).

These examples show that an entrepreneurial family background and family members as role models can indeed play a major role in stimulating an entrepreneurial mindset in the offspring. Choice, liberty, independence, beauty and glory, yet also sacrifice are associated with the entrepreneurial life style. Whereas the latter aspect could have an off-putting effect, this potentially negative side of entrepreneurship gets quickly overruled by the positive aspects.

Although role models are generally associated with positive attributes I also found evidence of negative role models in this study which I will illustrate in the following section.

7.5.2 A negative role model triggering learning

Very few entrepreneurs in this study were influenced by negative role models, which were defined by Cheetham and Chivers (2001) as “people who provided examples of how not to do things and whose approach they conspicuously tried to avoid” (p. 273). As the authors underlined, negative role models seem to influence an individual’s professional behaviour and Bucher & Stelling (1977, cited in Cheetham & Chivers (2001) suggested that role models would influence the formation of so-called “professional identities”. The case of BS is particularly interesting as we can see the detrimental impact of a father setting up a business and failing to turn it into a success story. In particular BS’s mother presented a major stumbling block as she did not approve of her husband’s decision to create a business and when he failed to bring in the money to support the family, family life suffered considerably. Being asked about his family BS recalled:

BS: Well, I think that they had a strong influence over my education and perhaps the fact that I wanted to become an entrepreneur. In fact, I think this rather comes from my parents and in particular my father as he created a company. However, they were not involved in my present project (Alors, je pense qu'ils ont eu une forte influence sur mon éducation et sur peut-être le fait que j'aie envie d'être plutôt entrepreneur. Je pense que, effectivement, ça vient plutôt de mes parents et plus précisément de mon père parce que lui, il a essayé de monter une boîte. Maintenant, sur le projet en particulier, ils ne sont pas du tout concernés).

RK: Did they not give you any advice? Did you not speak with your father? Not at all? (Ils ne vous ont pas conseillé? Vous n'avez pas parlé avec votre père? Rien du tout?)

BS: No. (non).

RK: Why? (Pourquoi?)

BS: Because... First, we are not in the same profession. Then...(Parce que... Déjà, on n'est pas sur le même métier. Ensuite...).

RK: What does he do? (Il a fait quoi?)

BS: Well, he created a company to help French companies to export to Eastern Europe. Now he is in the glass industry. He is Sales Director in a company that sells

glass by the ton. And my mother is not at all... she is not at all in favour. Well, she was not in favour of her husband becoming an entrepreneur, I think. But in my case, she does not care very much... as it is not me who brings the money home. But essentially she is not... she has not got the culture... (Alors lui... Quand il avait monté son entreprise, c'était pour aider les sociétés françaises à exporter dans les pays de l'Est. Maintenant, il est dans l'industrie du verre. Donc il est directeur des ventes dans une société qui vend du verre à la tonne. Et puis ma mère n'est pas du tout... Elle n'est plutôt pas pour. Enfin, bon. C'est-à-dire qu'elle n'était pas pour que son mari soit entrepreneur, je pense. Mais moi, elle s'en fout un peu parce que... Comme ce n'est pas moi qui ramène l'argent à la maison, j'allais dire. Bon. Mais, à la base, elle n'est pas... Elle n'a pas du tout la culture).

As the example of BS shows, his father's failure did not deter BS from setting up a business himself, but given this difficult experience he did not feel inclined to talk about his project or even involve his parents. In particular his mother's lack of an '(entrepreneurial) culture' and the fact that in the past she had been strongly opposed to entrepreneurship and enterprise creation did not encourage BS to involve his parents in his entrepreneurial project. This experience seems to have created a barrier between him and his parents. BS succeeded, however, in turning an admittedly very difficult and off-putting experience with entrepreneurship at an early stage of his life into a positive strategy for dealing with his girl-friend, i.e. his wife-to-be. I will expand further on this in section 7.7.5

This part of the Chapter has highlighted the importance of family in passing on entrepreneurial values to the young entrepreneur and has illustrated the influence of positive and negative role models on the entrepreneur. The following section will focus on the contemporary role of the family in the start-up.

7.6 Comporary roles for the family

7.6.1 a) Family providing emotional support and being available

In R's case the family is very important for providing emotional support to the entrepreneur. R describes himself as being '*entouré par esprit positif*' (surrounded by a positive spirit).

As R explained,

It is really an emotional support. The availability to listen, to make suggestions, to share, to exchange many ideas in order to change your ideas. (C'est vraiment un soutien affectif. La disponibilité pour écouter, pour faire des propositions, pour partager, pour échanger beaucoup d'idées, pour se changer les idées) (interview with R on 21.11.2006).

The idea of the tie being available later emerges again from the grid I established with R. He used this aspect to differentiate between people such as family and friends who

would be characterised by a high level of availability; they would always be there for him, which he contrasted with somebody such as C, his lawyer, whose availability was very limited (also see 8.10).

7.6.2 Family as guinea pigs, to test ideas with

Family ties may also represent important discussion partners against whom to test ideas. P (from P &G) highlighted, in particular, his parents' role in asking questions, which pushed the young entrepreneur to improve his initial ideas. Key in this context is the young entrepreneur's realisation that anything which can be understood by his parents is equally comprehensible to anybody else. The family represents the ordinary person who will later be confronted with their product. A second important aspect which emerges from P's comment is the notion of the family as trusted people, people who the entrepreneur can confide in and be confident about their help.

P: They encouraged me to continue with the project, it is good to have the support from your family in this case, they ask questions, "this does not work for me as there is a problem, you have to improve the idea in particular in this case", they asked questions, they wanted to know how it works, because if it is not understandable for them it is not understandable for anybody else. Before going to any meetings I present them the idea and they would tell me: I don't understand this. What seems obvious for us may not be for others. It is very good to present your ideas to people who you trust who can help us in this particular situation (Ils m'ont encouragé à continuer justement dans ce projet, c'est bien d'être soutenu par sa famille dans ce cadre là, ils posaient des questions, là pour moi ça marche pas ya un problème pour justement améliorer l'idée c'est surtout ça, ils posaient des questions, savoir comment ça marche, parce que si c'est pas compréhensible pour eux c'est pas compréhensible pour quelqu'un d'autre. Avant d'aller un rendez-vous on peut leur présenter l'idée, ils m'ont dit ça je comprends pas, ça semble parfois évident pour nous mais ça ne l'est pas pour d'autres personnes. C'est bien de présenter à des personnes de confiance qui puissent nous aider dans ce cadre là) (interview with P & G on 14.01.2006).

A second example where the family takes on the role of a guinea pig is E. Once the entrepreneurial project, creating a restaurant in the heart of Paris, had been accomplished E invited her whole family and close friends for dinner. She wanted to try out the concept on them and use them as a guinea pig before the official opening of the restaurant. E needed the feedback of her family on the concept and she trusted that they would give her an honest opinion.

In both cases the family and close friends represent trusted people who the entrepreneur can confront with the entrepreneurial idea, to whom concepts can be presented, ideas can be tested against, without the entrepreneur being afraid of possible negative

repercussions. Again the entrepreneur is looking for feedback, for critical comments and reflective thinking without being faced with a competitive or potentially offensive context.

7.6.3 Family ties: no need for reciprocity

The aspect of trust which the latter entrepreneurs associated with their family members and close friends can also be found in GK's case who highlighted the importance of people who had no stake in his business but whose opinion and whose support were extremely advantageous for the entrepreneurial project. This notion of having no stake, which primarily refers to a potential financial interest on either side, implies the absence of a need to offer reciprocal favours. GK illustrated this point further when talking about D, his father in law, whom he described as very pragmatic. He is GK's ally and as GK underlined he is one of the few where there is nothing at stake, D's opinion is neutral, there is no financial interest on either side. His only objective is GK's success.

GK: (talking about D.) He is very pragmatic. (Oui. Il est très pragmatique).

RK: Your ally? (Votre allié?).

GK: Oh yes. At 100%. (Ah oui. A 100%).

RK: And he has your confidence at 100%? (Et il a votre confiance à 100%?).

GK: Yes as... Well, he is one of the few people with who there is nothing at stake.

There is nothing at stake. Thus his opinion is neutral. I don't make him earn money, he does not make me earn any money. He has only got one objective, which is my success as this makes me feel good. This is his objective, well that's it. 100%. (Oui parce qu'il... Enfin, ça fait partie des rares avec lesquels il n'y a pas d'enjeu. Oui. Il n'y a pas d'enjeu. Donc son avis est neutre. Je ne lui ferai pas gagner d'argent, il ne me fera pas gagner d'argent. Il ne peut avoir qu'un seul objectif, c'est que je réussisse parce que ça participe de mon bien-être et donc c'est un objectif pour lui, donc voilà.)

I will come back to this aspect of reciprocity in the next section.

7.6.4 The family (excluding the partner) providing functional support

In a number of cases we find that the family provides different types of functional support. Despite the scepticism YC met when he was trying to create his own business, YC's son (CH) helped out on the technical side, setting up the necessary IT system for the business. In addition, YC's daughter, A, who is a PR specialist, gave him a helping hand on the marketing side.

In AC's case a brother-in-law designed the Internet site. As AC explained:

And the last point was that my other brother-in-law, who is very interactive, created my website, I did not have any graphic designers, no developers, nothing at all. I came to an agreement with him, I gave him 10% of my capital and in exchange he created my first websites free of charge. (Et le dernier point c'est que j'avais mon autre beau frère, qui est très interactif, qui m'a fait mon premier site, j'avais pas de graphistes, pas de développeur, j'avais rien du tout, j'ai passé un accord avec lui, je lui ai donné 10% de mon capital et en échange il me faisait les premiers sites gratuits) (interview with AC on 06.07.2006).

AC's case is very interesting as, whereas in general the family does not get paid for offering any help in the entrepreneurial venture, he agrees on a deal with his brother-in-law which offers 10% of the capital of his company in exchange for his services. Offering this participation in his business AC makes sure that the other party stays motivated, as his brother-in-law has a vested interest in doing a good job given that he owns a share in the business. This is different from GK and his father-in-law whose only interest in the venture is for the younger person to succeed, other than that he has no stake in the business. We will see in the following section that PL and LS offered a similar deal to their wives.

7.6.5 Family ties as bridges over structural holes

As I discussed in Chapter 4 structural holes are an important source of social capital, as highlighted by Burt (1992), resulting in two major types of benefits which are information and control benefits. In this study I have found a small number of cases where a family member would act as a bridge between the entrepreneur and hitherto unconnected clusters of people. NF's sister (S), for instance, established the contact between NF and one of her friends who happened to be a professional of video production (M) in Paris. The sister acts as a go-between to establish the contact with other professionals who first may be a source of information and later become potential clients. In Burt's words, S represents a bridge between formerly unconnected ties. NF's meeting with his sister's friend triggers further contacts as the latter puts him in contact with other professionals. As NF explained,

I remember, for instance, that I met a friend of my sister who worked in video and who put me in touch with other friends he knew in Paris...He is called M, well he put me in touch with video professionals in Paris with whom I discussed the project. Well, with whom I discussed the creation. (Alors je sais je me souviens par exemple, j'ai rencontré un ami de ma sœur qui travaillait dans la vidéo et qui m'a mis en contact avec d'autres gens que lui connaissait à Paris... il s'appelle M, donc qui ma mis avec des gens qui étaient des professionnels de la vidéo sur Paris, avec lesquels j'ai parlé. Voilà, avec qui j'ai parlé autrement, à la création (interview on 01.03.2006 with NF).

In AC's case one of his brother-in-laws created the link between the entrepreneur and possible investors, which was obviously very important for the entrepreneur given that he had already raised money through his family, but the continuing expansion of the business, three months after the actual creation he already employed 10 people, required significant financial investment. As AC described the situation in an interview on 06.07.2006:

Well, it was thanks to my brother-in-law who introduced me to some people who wanted to invest in an Internet company, in a bank, the bank S, and I did a presentation and it was all very quick and out of a sudden I had 200, 300.000 Euros (Et là, c'était grâce a mon beau frère, il m'a présenté des gens qui voulait investir dans une société Internet, dans une banque, c'était la banque S. et j'ai fait une présentation et ça été très vite car j'ai eu 200.00 ou 300.000 euros).

This section has highlighted the different roles of family members for the entrepreneurial project. The following section focuses on the spouse and his/her role.

7.7 The Role of the spouse

7.7.1 Introduction

Researchers such Plickert (2007) and Wellman & Wellman (1992) underline the importance of the spouse in providing support. Among the thirteen cases I explored for this research, we find six entrepreneurs who involved their partner, male or female, married or co-habiting in the venture. These partners, who were predominantly female due to the fact that twelve out of thirteen of the companies had been founded by a male entrepreneur, were involved in different functions and to different extents in the venture. LS & PL worked with their wives due to their professional competences, E, R, JMB and GK used their partner as emotional support, discussion partner and to manage their stress. A third rationale is the financial security provided by both female and male partners, as highlighted by E, JMB, GK and R.

7.7.2 Providing Competences

Similar to the existing literature (see for instance Brüderl & Preisendorfer 1998) that suggests that entrepreneurs integrate a spouse or their life partner in an entrepreneurial project because of the active help they can provide, we find a number of cases in this study where the partner was involved due to competences. In the case of PL and LS both wives take on responsibilities in the business the husbands want to create. Initially PL's wife was particularly important for the entrepreneurial venture development as she

spent time listening to her husband's ideas and discussing them with him, she was, however, not involved in the first phase of the entrepreneurial venture. This changed in the second and third phase of the start-up, when she assumed a more active role supporting the entrepreneurial project in terms of administrative and accounting tasks. In the second and third phase of the entrepreneurial venture LS' wife joined her husband, his associate and the latter's wife. Given her competences in marketing her role is of a commercial nature, as she brings in clients. This case is interesting as it highlights the importance of the competences of the female partner for the creation of the business.

In return for their labour both women get later offered a share in the business (interview with PL on 10.4.2007), which is similar to the arrangement AC makes with his brother-in-law (see section 7.6.4). LS later integrated the idea of an operational/relational contribution and participation in the capital in his repertory grid. These ideas corresponded to the bipolar concepts: '*contribution operationnelle versus relationnel*' and '*participation au capital*' vs '*ne pas participer au capital*'. LS evaluated both wives at '5' on each of these concepts which underlines the close correlation between these aspects.

7.7.3 The partner as emotional support facilitating reflection and learning

In line with other studies such as Brüderl & Preisendorfer (1998) this research has also highlighted the importance of the emotional support of the spouse. GK's wife, also a former ESC graduate, has an important role as she helps GK to manage his stress; she listens to him and asks questions. She helps him to think and then he acts. She is part of his discussion network. She is very good friends with L, GK's friend; they met when she met GK at the ESC. GK described their relationship as follows:

'She listens, asks questions. It is always me who does it. I ask her to help me. Then I do it. She has helped me a lot because of her ability to listen, to manage my stress, to accept. The stress is the worst in the phase of construction, you are simply stressed by the idea of creating a company. Am I able?' ... (Elle a écouté, posé des questions. C'est toujours moi qui fais. Je demande de m'aider à réfléchir. Après je fais. Elle m'a beaucoup aidé dans sa capacité à écouter, à gérer mon stress, à accepter. Le stress est plus intense en phase de construction, on est stressé rien qu'à l'idée de monter une entreprise. Suis je capable ?) (interview with GK 25.06.2006).

In GK's case we find again the recurring theme of reflection. His interaction with his wife triggers learning in GK. Furthermore his wife plays a vital role in trying to answer the existential question of whether he is really able to get the project off the ground.

A third illustration of the importance of the female partner for the entrepreneur is the case of R, who created his venture in financial services. His wife, H, who works in the liberal medical profession, supports his project and is very interested in his approach, but most importantly she gives him both financial and emotional security. Being asked whether his wife was involved in the different phases of the venture creation, R explained in more detail:

R: *Yes, involved in terms of personal support, and she is interested in how it works.* (Par un soutien personnel. Et puis un intérêt pour la démarche).

RK: *Is she in favour of the project?* (Elle était favorable à ce projet?)

R: *Yes. She supports me naturally. She is very positive about the project.* (Oui. Elle soutient naturellement. Elle était très positive sur la démarche).

Inquiring deeper about the kind of support H gives to R I asked the latter:

RK: *Is it the fact that she gives you financial security?* (Est-ce que le fait qu'elle soit là vous donne une certaine sécurité financière?)

R: *Financial and emotional. It is a type of equilibrium, yes.* (Financière et affective. C'est une forme d'équilibre, oui).

RK: *Is she involved in the project?* (Était-elle impliquée aussi dans le projet?)

R: *Let's say that she has been interested in the project but she has never been directly involved* (Disons qu'elle était intéressée par le projet mais elle n'a pas travaillé directement dessus) (interview with R on 26.11.2006).

It is very interesting to see that the spouse is important both for the emotional well-being of the partner, but also for the financial security of the couple (also see section 7.7.4). Similar to R, PL underlined the role of his wife in the entrepreneurial project and in particular the support he had got from her. Instead of making his life difficult by being a destabilising factor and insisting on him remaining an employee she has always believed in his realistic approach. PL underlined the importance of a former failure which at an earlier stage of his life had impacted on the family, an experience that is still with him years after the event.

Well I think that she played a role as there are women who would put pressure on you all the time by saying, she could have said: I want you to be an employee... We don't know whether you will have many clients, etc. She has supported me. This is very important. She could have been a destabilising factor. That was not the case. She has always thought that I knew what I was doing, that I was realistic in my predictions. All this is also a question of experience. I have lived through a failure before. But it is very difficult to get out of your failures. It is like a spiral, the failure. It is very difficult. (Oui, je pense qu'elle a eu un rôle parce que vous avez des femmes qui vous mettent la pression sans arrêt en vous disant... Elle aurait pu me dire: "Je veux que tu sois salarié. ...On ne sait pas si demain tu vas avoir beaucoup de clients etc." Elle m'a soutenu. C'est très important. Elle aurait pu être un facteur déstabilisant. Ça n'a pas été le cas. Elle a toujours pensé que je savais ce que je faisais, que j'étais réaliste dans mes prévisions. Tout ça, c'est aussi l'expérience. J'avais vécu un échec avant. Mais c'est difficile de

sortir de ses échecs. C'est une spirale, l'échec. C'est très difficile) (interview with PL on 22.09.2006).

7.7.4 The spouse as financial security

As already indicated in the preceding section the spouse plays an important role as (s)he provides financial security. JMB's case illustrates the situation further; his future wife-to-be is also an ESC graduate, she works for a major Internet provider based in Paris. As JMB highlights, she is probably the only person in his network who is not passionate about rugby. She was not involved in the creation process other than in a consultative role and in terms of information exchange. The fact, however, that she is in stable employment is regarded as an important aspect. As JMB expanded,

But it is rather the stability of her employment which is important for the risks I take. That's it really. But many people said it the other night (01.03.2006 – launch of the Club des Entrepreneurs of the ESC Rouen in Paris), they all said, one way or another, that the employment of their wife is their insurance (Mais surtout parce que la stabilité de son emploi est importante dans les risques que je prends. Voilà. Mais, l'autre fois, tout le monde l'a dit à la soirée. Les créateurs d'entreprise, ils témoignaient tous de ça. Ils racontaient tous, de toute façon, que leur assurance, c'était le boulot de leur femme (interview with JMB 18.05.2006).

Whereas the wife/girl-friend has a stabilising function similar to R's wife H, her involvement in JMB's start-up is very limited. As the latter explained, he keeps her informed, but she is, by no means, involved in his activities or decisions. It is really about an exchange of information. She does not even advise him on certain matters. As he explained, she did this at the very beginning but stopped doing it when she saw that he was doing what he wanted anyway. As he elaborates further:

I keep her informed, of many, many things, but honestly that's where it stops. There is no... She has not been involved in the business, in whatever function, in any decisions for instance. Well, yes, it is really exchange of information; she does not even give me any advice, she does not say : Do this or do that. Well in fact she has stopped doing that. She did it a bit at the beginning and then she quickly understood that I do things the way I want anyway (Je la tiens informée de beaucoup, beaucoup de choses, ue je lui raconte. Mais... Mais, très honnêtement, ça s'arrête là. Il y a pas... Elle n'a pas d'implication dans... dans l'activité, dans quoi que ce soit, en fait, dans... dans les décisions ou autre. Voilà. Oui. Ça reste vraiment de... C'est vraiment de l'échange d'informations. Elle ne me donne aucun conseil, elle ne me dit pas: "Fais ci, fais ça." Voilà. Elle a arrêté. Elle l'a fait un peu au début et puis elle a compris que je n'en fais qu'à ma tête) (interview with JMB on 18.5.2006).

JMB's case also indicates a learning process that takes place between him and his partner. Whereas at the beginning his girl-friend tries to get involved she quickly

realises that she has no role in his project and modifies her behaviour. Hence learning is taking place between the founder and the female partner.

7.7.5 The need to convince the partner

None of the entrepreneurs discussed so far seemed to have major problems in convincing their girl-friends and wives that setting up a company would be a good idea, the exception is BS. Most interesting is BS's strategy to deal with an initially reluctant girl-friend who was quite put off by the idea of him creating a business. Learning from his parents' bad experience, as expanded upon earlier in section 7.5.2, BS developed a strategy to get his future wife-to-be's (M) consent and support to create his own business. M has a comfortable position in the French insurance industry and as BS points out, she is completely aware of all the privileges this brings and she is very happy in her present situation. As he described,

So obviously when I said to her: I want to be an adventurer. I am going to leave everything. If this works out well, this is not bad. The essential is that it can be better. This was not a discourse she immediately supported, but I showed her what I wanted to do, how I wanted to do it and with which means I would do it. I explained to her the complete approach,, I presented her the business plan. She was really the first person to whom I presented my business plan. Then she said: OK, but not with your present associate. I responded: Well I had thought about changing.. She agreed. And she is very happy with my new associate as... she knows him as well. He is also a friend, so... She said: With him you can do it. If you associate yourself with him, that's fine. (Donc, évidemment, quand je lui ai dit: "Moi, je vais faire plutôt l'aventurier. Je vais tout lâcher. Même si ça se passe bien, ce n'est pas grave. L'essentiel, c'est que ça se passe encore mieux", ce n'est pas un discours auquel elle adhère spontanément. Mais, bon, je lui ai montré ce que j'allais faire, comment j'allais le faire, je lui ai dit avec quels moyens j'allais le faire. Je lui ai présenté complètement la démarche, je lui ai présenté mon business plan. C'est vraiment la première personne auprès de qui j'ai défendu mon business plan. Donc elle a dit: "OK. Banco. Pas avec ton associé actuel." J'ai dit: "Oui mais je pense que je vais en changer." Elle a dit: "Bon." Et mon nouvel associé, elle en est très contente parce que... Elle le connaît aussi. C'est aussi un ami, donc... Elle a dit: "Avec lui, c'est bon. Si tu t'associes avec lui, c'est bon.") (interview with BS on 17.05.2006).

M is the first stakeholder of the project who told him to go ahead with it on condition, however, that he got rid off his first associate, an idea that had already been growing in BS's head. BS also underlined the importance of his parents's negative role model in his approach to his girl-friend. As he explained, his father did not have his mother's support when he created his company. All went well as long as the business was doing fine. When the business went downhill, she made his life a living hell, providing no support in this difficult time at all, but probably making it worse through her negative attitude. Although BS disagreed with his mother's way of handling the situation, he tried to keep a balanced picture pointing out that his father was probably not wholly

innocent of the whole situation as he had never sought his wife's and the immediate family's approval for his entrepreneurial project, but it was the whole family who suffered the consequences. Given that his girl-friend initially reacted like his mother to the idea of creating a business, BS decided that he needed a decision made by the couple and not just by him.

As BS illustrated,

Hence she was the first person, the first stakeholder of the project, who gave me the green light to go ahead. I would never have launched my business without her agreement. Thus she is the first person with whom I discussed what I wanted to do. She had a very precise idea about my former associate. She also had a very precise idea about my new associate. Thus she participated, let's say, in the choice of the associate. Because.. let's see how this happened? Well, this is where my parents come back into the decision. When my father created his company he did not have the support of my mother. Well, during a certain period, my father's business worked well, so that was great. But then he made a mistake, and that created a chaos. My mother made his life a living hell. She did not support him at all. Instead of supporting him she made it worse. And I said to myself... that my mother's reaction was certainly not very welcome, but taking a step back, I said to myself as well that it was certainly not a very good idea that my father had made the decision on his own, without discussing it with his wife or his immediate family. Because finally it was the family which suffered. So I told myself, in order to avoid such a situation, it would be better if it was a decision of the couple and not just me....In particular as at the beginning my fiancée was, a bit like my mother, completely against the idea of creating a company. She is, however, ..she is an employee and very happy to be an employee as she is very aware of all the privileges she has, in particular in the banking or insurance industry; (Donc c'était la première personne, la première partie prenante du projet, celle qui pouvait donner le feu vert, en fait. Je ne me serais jamais lancé sans qu'elle soit d'accord pour que je me lance. Donc c'est la première personne à qui j'ai parlé de ce que j'allais faire. Elle avait une idée très précise sur mon ancien associé. Elle a une idée aussi très précise sur mon nouvel associé. Donc elle a aussi participé, on va dire, au choix de mon partenaire. Parce que... Alors pourquoi ça s'est passé comme ça? C'est... Alors, c'est là où mes parents peuvent peut-être revenir dans la décision. C'est que, en fait, mon père, quand il a monté sa société, il n'avait pas le soutien de ma mère. Alors, pendant un temps, mon père, sa boîte a bien marché, donc c'était super. Et puis, à un moment donné, il s'est planté. Et là, ce fut le chaos. Ma mère lui a mené une vie d'enfer. Elle ne l'a absolument pas soutenu. Elle l'a même plus enfoncé que soutenu. Et je me suis dit que... que ce n'était pas forcément très bienvenu de la part de ma mère mais, avec un peu de recul, je me suis dit aussi que ce n'était pas forcément très bien venu de la part de mon père d'avoir fait aussi ce choix tout seul, sans concertation avec son épouse ou sa famille proche. Parce que, finalement, après, c'est la famille qui en pâtit. Voilà. Donc moi, je me suis dit que, pour éviter ça, il vaudrait mieux que ce soit une décision du couple et non pas seulement de moi. .. Surtout qu'au début ma fiancée était absolument _un peu comme ma mère_ complètement réfractaire à l'idée de monter une entreprise. Elle, elle est quand même... Enfin, elle est salariée, elle est très contente d'être salariée parce qu'elle a conscience des privilèges que ça peut donner, surtout dans le milieu de la banque ou de l'assurance (interview with BS on 28.7.2006).

This section has illustrated the role of the spouse for the entrepreneurial venture. The following section throws some light on the negative aspects of family ties.

7.8 Negative aspects of Family ties

7.8.1 Family as deterrent to entrepreneurship

Different from the earlier discussion, there may also be a black side to the family. In the following discussion I will use the cases of G (from P & G), YC and BS to illustrate family ties as a deterrent to entrepreneurship. In all three cases the entrepreneur needs to convince the ties in his entourage of his good intentions, i.e. the feasibility of his/her entrepreneurial project.

Even though the parents have paved the way for the development of a certain work ethic in the case of P and G, as we saw in section 7.5.1.2 this does not mean that families offer equal support for the entrepreneurial project. Being questioned about the parental support for his project G responded: '*Moyen, très moyen*' (interview with P & G on 14.02.2006), which expresses both his disappointment and frustration with a difficult family situation. There was very limited parental support for his project and a clear lack of understanding coming from a risk adverse family culture. Only G's brother who has also attended a Grande Ecole, was supportive of G's project. His constructive criticism as well as the discussions with him were of benefit to the young entrepreneur.

G explained his relationship with his parents in more detail:

My parents don't really understand, in fact they are not..., they do not wholly support me as it is something they do not really understand and the notion of risk is something that they have never been in contact with. Hence they think, it is good what I am doing but this is where it stops, in fact they cannot really help me in this respect, but for instance in the second phase there was another person from my family, my brother, who attended the ESC Reims, who has a more critical approach, some discussions with my brother have been helpful for the project (Mes parents comprennent pas.. vraiment en fait ils sont pas..., ils me soutiennent pas complètement parce que c'est quelque chose qu'ils ne comprennent pas vraiment et la dimension du risque c'est pas quelque chose qui ne les touche pas donc ils considèrent que c'est bien ce que je fais mais ça ne va pas beaucoup plus loin, en fait ils ne peuvent pas vraiment m'aider par rapport à ça mais par contre dans la 2^{ème} phase il y a une autre personne de la famille c'est mon frère qui a fait l'ESC Reims qui a une dimension beaucoup plus critique, certaines discussions avec mon frère ont été enrichissantes pour le projet) (interview with P&G on 10.02.2006)

I would like to throw further light on the relationship between P&G and their parents drawing on our repertory grid discussions on 23.05.2006. We contrasted each other's parents with D and R, the two mentors of the project, and I asked how the latter were different from their parents. What emerged from this discussion is that G's parents could not participate in the entrepreneurial project as they had no background in business, both work in liberal professions, they have employment security for life and

they have trouble understanding the notion of risk. Whereas G critically discarded his parents' ability to know what enterprise creation and doing business is about, he appreciated their role as consumers where they can make a valuable contribution to his entrepreneurial project. G needs to convince them of the product and this is where the parents get a role in the venture. G critically commented:

They don't really know what they are talking about. In effect, there is something that I have understood a long time ago, I love discussing with my parents as consumers... Basically it is about trying to convince them as consumers (Ils savent pas vraiment de quoi ils parlent! A la limite, il y a une chose que j'ai comprise il y a pas très longtemps, c'est que j'aime bien discuter avec mes parents mais en tant que consommateurs... Enfin, essayer de les convaincre juste en tant que consommateurs).

RK: *To test?* (Pour tester?)

G: *Well, yes. In addition this allows us to test, this allows us to get some additional ideas. It is what I said earlier. We try to satisfy every one of the consumers.* (Bien oui. En plus, ça permet de tester, ça permet d'avoir des idées en plus. C'est ce que je disais tout à l'heure. On essaie de satisfaire chacun des consommateurs).

RK: *OK, I have understood. Is there anything else? Have they also taken their retirement?* (Oui. C'est ça. C'est clair. Autre chose où ils sont différents? Est-ce qu'ils sont en retraite aussi?)

G: *No. (Non). But they have never... Finally they have never worked in a company. They belong to the liberal professions.* (Mais ils ont jamais... Enfin, ils ont jamais travaillé dans une entreprise en tant que telle. Profession libérale).

RK: *OK, liberal professional, the parents. But do you have to convince them as well?* (Oui. Profession libérale, OK, les parents. Mais il fallait les convaincre aussi?)

G: *Always, yes* (Toujours, oui).

The young entrepreneur G needed parental support and approval for the project, yet all he found was that he and his parents seemed to speak a different language. He took this as a challenge and it became absolutely essential for him to convince them of the feasibility of the project. One of the key problems was, however, that both parents, although well educated, had never put a foot in a business. With the mother being a '*fonctionnaire*', i.e. civil servant, with employment security for life and the father being a doctor, again a profession with employment security, G found that they lacked '*vision business*'. He continued talking to them, however, trying to convince them of the feasibility of the project. Indeed the keyword in this context was '*convaincre*' (to convince) which was also later integrated as a concept in the repertory grid analysis. Although G initially suffered from an unsupportive family background, he later highlighted in an interview on 29.1.2007 that change appeared over a 2 year period. Whereas he described the relationship with his parents at the beginning of the entrepreneurial projects as follows:

We did not speak the same language, we were not even in the same milieu, we did not understand each other ('on ne parlait pas le meme language, on était pas dans le meme milieu, on ne se comprenait pas).

two years into the project he is enthusiastic and declares,

they really believe in it, it is a great success (ils y croient vraiment. C'est un beau succès) (interview with P& G on 29.01.2007).

(I will come back to the importance of the notion of speaking the same language in Chapter 11).

This contrasts with his cofounder P, who underlined the support he had been given:

They have encouraged me to continue with the project, it is good to have the support of the family in this situation, they have asked questions, for me this does not work, there is a problem, to improve the idea, it is in particular this, they asked questions to find out how it works. ('Ils m'ont encouragé à continuer justement dans ce projet, c'est bien d'être soutenu par sa famille dans ce cadre là, ils posaient des questions, là pour moi ça marche pas, y a un problème pour justement améliorer l'idée c'est surtout ça, ils posaient des questions, savoir comment ça marche (interview with P& G on 14.01.2006).

The latter extract suggests that P's parents added value to the entrepreneurial project in a reflective way, by asking the right questions, at the right time.

Much older than P and G, yet similar to G, YC is also confronted with the skepticism of his immediate family when he informs them about his decision to leave a well paid position as director of a luxury brand firm in order to set up his own business in 2000. The primary problem was the way people perceived of him. This applied both to his family and his friends. As he pointed out in the interview on 29.01.2007, his family (and many other people in his entourage) used to see him as a 'corporate person', as a company director, a decision-maker and not as an entrepreneur. As a result, many of the people around YC were very skeptical about him creating his own company and they thought that he would drop out of his newly created business very quickly due to a lack of commitment and dedication. As a result, the first orders came from people who did not know YC, who did not associate a certain image with the entrepreneur YC. They accepted him as a business consultant without any role conflict.

In my case, this was a bit difficult, as their perception was different. They had a perception of me as a 'corporate person', not as a consultant. And at the beginning, I will tell you, the majority of the people were convinced that I would do the job for one

or two years and that afterwards I would get another job. I met quite a few sceptics not because of the question of me being serious about it but it was about commitment, about dedication to the idea. Because, once again, the people who knew me had never seen me in an operational decision role and they said: Y, ok, you can do this for nine, twelve months, and you do this as you have no other work, as you are between jobs. That was their reaction. And indeed this has taken quite some time to change their perception, to convince them that I had a serious project to which I would dedicate the rest of my professional life. And I believe that has taken about two to three years. The major obstacle in my case was that the change in roles which people found very difficult to believe (Dans mon cas c'était un petit peu difficile parce que leur perception était différente. Ils avaient une perception de moi en tant que corporate person. Pas comme un conseil. Et, au début, je vais vous dire, la plupart des gens étaient persuadés que j'allais faire ça pour un an ou deux ans et que, après, j'allais prendre un autre travail. J'ai rencontré pas mal de sceptiques quant à... pas le sérieux mais vraiment sur le *commitment*, sur la *dedication* à cette idée. Parce que, encore une fois, les gens qui me connaissaient m'avaient vu dans un rôle opérationnel de décision et ils se sont dit: "Yves, d'accord, tu fais ça pendant neuf mois, douze mois et puis tu fais ça parce que tu ne peux pas travailler... parce que tu as ça entre deux jobs." C'était leur réaction. Et, en fait, je pense que ça a pris du temps pour changer leur perception, pour les convaincre que c'était un projet sérieux auquel j'allais dédier le reste de mon activité et de ma vie. Et je pense que ça a pris à peu près deux, trois ans pour... Donc l'obstacle, dans mon cas, c'était ce changement de rôle que les personnes avaient du mal à croire (interview with YC 29.01.2007).

In line with some of the literature that warns against too much involvement of strong ties, we see in YC's case that the strong ties' perception of him as a corporate person actually works to his disadvantage. In the end it is weak ties that give him the first orders. As YC underlined,

Well, in fact, the first projects came from people who I did not know me at all. They did not have this image (of me). They immediately saw me as a consultant and there was no role conflict (Voilà. Donc, en fait, les premiers projets sont venus de gens que je ne connaissais pas. Parce qu'ils n'avaient pas cette image. Ils m'ont tout de suite vu comme un conseil et ils n'avaient pas ce conflit de rôles. Donc voilà (interview with YC on 29.01.2007).

7.8.2 Unsuccessful parental assistance

As documented in section 7.5.1.3, NF's father represents a like-minded entrepreneur for NF, they spent much time discussing NF's entrepreneurial project. This alliance failed, however, when his father tried to pass on some business to him. In fact, as NF recalled,

My father has tried to pass on some clients to me. Well this is very interesting as he had a company specialising in training and he had some clients. He retired one or two years ago and he gave me some of his old business contacts. Besides, this is most surprising as I have never signed a contract with any of his old clients. Why? Because in fact these clients were used to working with him in a certain way. Hence they had certain expectations when working with him which they projected unto me. And I had an offer which did not correspond to their expectations. Thus every time we did not arrive at understanding and working with each other. So in terms of help I would put I would say he has rather done me a disservice as I have spent much time and did not sign anything in the end (Mon père a essayé de me refiler un peu des clients. Alors c'est intéressant comme point ça, il avait une boîte qui était sur la formation et il avait des clients. Mais bon, là il était à la

retraite depuis un an, deux ans et il m'a donné des contacts de ses anciens clients. Et d'ailleurs c'est étonnant mais je n'ai jamais signé de contrats avec ses anciens clients. Pourquoi, parce que en fait ses clients avaient l'habitude de travailler avec lui d'une certaine façon. Donc ils avaient des attentes qu'ils projetaient sur moi par rapport aux attentes qu'ils avaient lorsqu'ils travaillaient avec lui. Et moi, j'avais une offre qui ne correspondait pas à leurs attentes. Donc à chaque fois on n'arrivait pas à se comprendre et à travailler ensemble, donc là, en terme d'aide je mettrai 1, car ça m'a même desservi, car j'ai passé beaucoup de temps pour finalement ne rien signer (*interview with NF 01.03.2006*).

His father's clients were used to working in a certain way and when they projected their expectations upon NF he simply did not correspond to what they wanted. He even concluded that it probably did more harm than good given that he wasted a lot of time with these people.

7.9 Non-involvement of the family

Despite a frequent involvement of family ties, as documented in this Chapter, there were some cases where family ties played no role at all. This was the case for SLB, MB and AL. In this short extract CB's illustrated why he did not involve anybody from the family:

CB: They were not involved, not at all as... They said to me: "Good, You are right. Go ahead. Get on with it" but without having ... without me needing some assistance or without them giving me the green light to go ahead, saying "Good, what do you think?" My mind was made up. In any case, I went ahead. I was very happy when the family said: "Yes, go ahead. It is a good idea. You have made the right decision. But even if they had said: you are doing something stupid, I would have said: Perhaps, but I will try anyway". (Non. Du tout. Pas du tout parce que... Bon, évidemment, ils m'ont dit: "Oui. Tu as raison. Vas-y. Lance-toi" mais sans qu'on ait... sans que j'aie besoin d'aide particulière ou de feu vert à donner, à dire: "Bon, qu'est-ce que tu en penses?" Ma conviction était faite. De toute façon, moi, j'y vais. J'étais très content si la famille me disait: "Oui, vas-y. C'est une bonne idée. Tu fais le bon choix" mais ils m'auraient dit: "Tu fais une connerie", j'aurais dit: "Peut-être mais je vais essayer quand même.") (interview with CB on 24.05.2006).

CB's comment highlights the independence of the entrepreneur from his family, he did not need their help, he had made up his mind and was going ahead with his project, whether they approved of it or not. CB's case contrasts with P and G who were considerably younger when they set out to create their project and, to some extent, they 'needed' the parental support. Thus the age of the entrepreneur when he embarks on his entrepreneurial project may play a role.

7.10 Conclusion

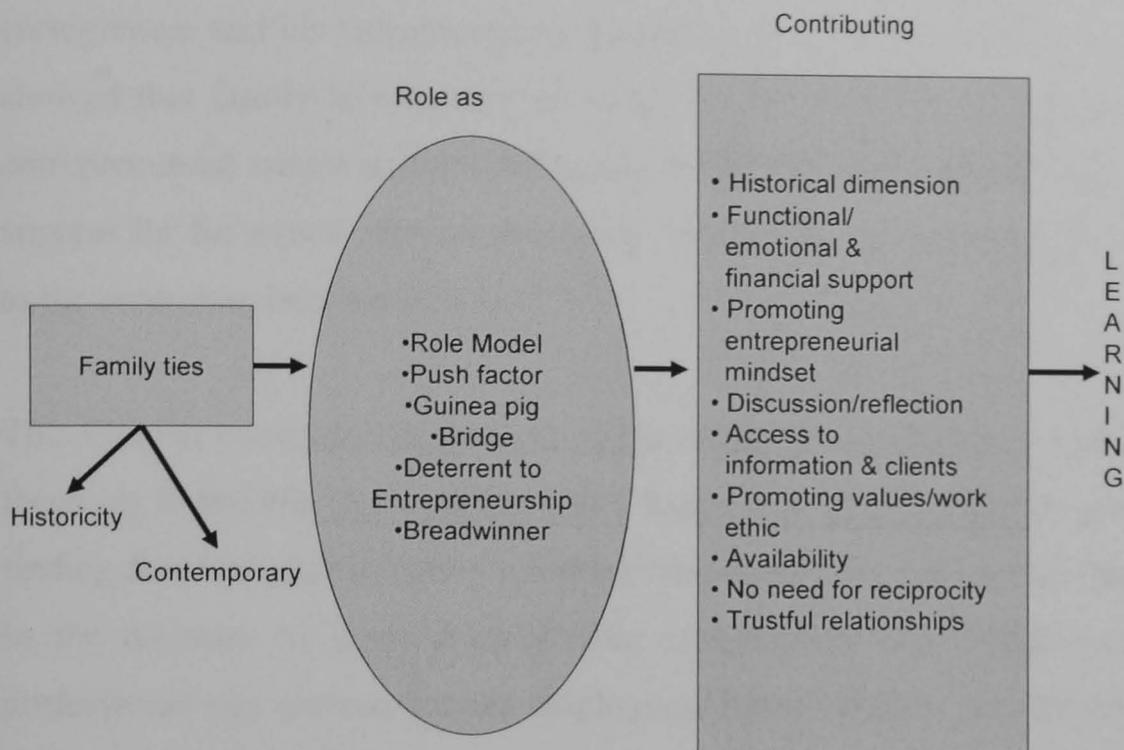
This Chapter contributes to the existing literature with its in-depth investigation of the different roles and contributions of the family ties to entrepreneurial ventures at the pre-

organisation stage. The analysis has shown that family ties play a significant role in two contexts: First, from a historical perspective the family is important for the early socialisation and familiarisation with entrepreneurship and the promotion of work-based values. Second, family ties are essential throughout the actual start-up as they provide functional and emotional support and assume an important role as discussion partners in joint reflections. The discussion has stressed, in particular, the significance of the father who acts as a positive or negative role model. In comparison, the female or male partner provides financial security and/or emotional support. The entrepreneurs rarely involved a son or daughter or brother or father-in-law, if they did it was due to their competences, often of a technical nature. Whereas the idea dominates that family ties are involved in the venture without expecting any reciprocity we find a small number of cases (LS & PL and AC), where the entrepreneur offered a share in the business to family members in return for certain services. Furthermore the analysis has pointed out the limits of family ties in terms of providing business for the fledgling venture. Expectations and ways of doing things may differ between the family tie and the entrepreneur.

This Chapter adds to the existing literature as it underlines the entrepreneurial capacity to learn from the good and bad experiences of his/her family ties and in particular BS's case shows how an entrepreneur turns a potentially off-putting experience into a positive entrepreneurial project, whole-heartedly supported by his partner.

The findings in this Chapter have also highlighted the merits of the longitudinal approach (P&G), which has facilitated the examination of the role and contributions of ties over a two year period. P&G's case documents how family ties changed in their attitude towards the entrepreneurial project over an extended period of time. Figure 7.1 summarises the different roles of the family tie and the different contributions the ties made.

Figure 7.1 The roles and contributions of family ties



The Chapter that follows (Chapter 8) will focus on the role of friendship ties in the creation process.

Chapter 8: The relational dimension of social capital: Friendship ties

8.1 Introduction

The analysis in the preceding Chapter focussed on the importance of family ties for the entrepreneur and his entrepreneurial project at the pre-organisation stage. The research showed that family is important in terms of the socialisation and familiarisation with entrepreneurial values and providing role models for the young entrepreneur, but also as support for the actual start-up assuming certain roles and making diverse contributions to the entrepreneurial project.

This Chapter continues the analysis of the relational dimension of social capital with its focus on friendship ties. Already in Chapter 6 I highlighted the, perhaps, surprising finding that few entrepreneurs involved friends just for the sake of them being friends. In the majority of cases friends were chosen from the readily accessible pool of professional ties such as former employees, former employers and Anciens relating to the human capital of the entrepreneur (see Chapter 9). Those entrepreneurs who chose to work with friends during the different stages of the start-up are the focal point of the analysis in this Chapter and I will illustrate their different roles and contributions at the pre-organisation stage. I conclude the Chapter suggesting a model that summarises the findings. The analysis relevant to the professional ties will follow suit in Chapter 9.

One of the ground-breaking studies which investigated what is actually meant by the term 'friend' was conducted by Fischer (1981), who concluded that relatives, neighbours and co-workers are unlikely to be called friends and that being friends implies a certain level of sociability, having known each other for a long time and being of similar age. As Leenders (1997) suggested, friendship is not dependent on one's work task and people tend to have a smaller number of close friends. Moreover, friendship networks that benefit from trust, emotion and affect are more durable over time.

The analysis of the different friendship ties has shown that friends are involved in different ways in the entrepreneurial venture, such as :

- *Friendship ties as co-founders*
- *Friendship ties as fellow entrepreneurs and discussion partners, no reciprocity*

- *Friendship ties as entrepreneurs to learn from*
- *Friendship ties as entrepreneurs providing knowledge and commercial detachment*
- *Friendship ties as entrepreneurs providing advice and task related competences*
- *Friendship ties as bridges*

8.2 The quality of ties: the historical dimension of ties

Similar to family ties (Chapter 7), friendship ties have a historical dimension. Among the 18 repertory grids I established with the entrepreneurs there were, however, only two who had integrated this idea. One example is AC, a French aristocrat, who unhappy with the fact that he had not been accepted by one of the prestigious Paris-based Grandes Ecoles, finally graduated from the ESC and topped up this degree with a Harvard MBA. The second example is NF who we have already met on a number of occasions in different Chapters. Although only a small number of entrepreneurs integrated this aspect in their repertory grid, there are a number of occasions where entrepreneurs such as R and YC mentioned the importance of a historical dimension of the tie, as I will point out in later sections of this document.

8.3 Awareness of different types of friends

In Chapter 6 I illustrated that there is significant evidence suggesting that the entrepreneurs involved in this research created their networks in a calculative way. Hence choosing friends who have something to offer to the venture is part of a deliberate effort to create an entrepreneurial network structure that will favourably support the entrepreneurial project. Examining the entrepreneurial cases we find that entrepreneurs such as NF and GK were very aware of the different types of friends. For NF there are best friends like R with whom he works on a daily basis and there are other people such as Y, who is a friend of R, who is well liked by NF, but not his friend. Similarly, GK distinguished between two groups of friends: those who are very up-to-date and involved and regularly ask questions about his project and those who are more detached and not involved, yet interested in the success of the venture. As he explained in an interview on 06.07.2006:

There are two types of friends, those people who are very up-to-date about my business, they are involved at a level of 3, these are people who ask questions directly related to the business. And there is a circle (of friends) who are more detached, these are people

who know that I am in the process of creating my own business, who ask me how is the business going instead of how is the telecommunications industry going? They are more interested in the success of my venture than my activity. They are, however, not involved in the construction of my business. (Il y a deux types d'amis, des gens très au courant de mon business. Ils ont une implication 3, ce sont des gens qui posent des questions concernant directement mon business. Et puis un cercle plus éloigné, des gens qui savent que je monte une boîte, qui demandent comment marche ma boîte plutôt que comment marchent les telecoms? Ils s'intéressent plutôt à la réussite de ma boîte qu'à son activité. Pas d'implication de leur part en matière de construction d'entreprise).

Furthermore in an interview with CB on 23.08.2006 the latter highlighted that his age worked to his detriment when creating as he was *not* surrounded by friends with a great professional experience, his friends were no appropriate partners in his entrepreneurial project. Conversely, his co-founder PP involved several friends, i.e. Anciens, who contributed to the entrepreneurial project due to their professional experience and experience as creator.

On my side, no. Rather on PP's side, who effectively consulted his friends. Perhaps also because he had more people who were friends at an interesting level for the company. It is true for me that at the age of 25 when you start, all your friends are people who do not have a great professional experience. Hence logically this limits a bit your field of action. (De mon côté, non. Plus du côté de Philippe Poisson qui, effectivement, a consulté des amis. Peut-être aussi parce qu'il avait davantage de personnes qui étaient amies à un niveau intéressant pour l'entreprise. C'est vrai que moi, j'avais vingt-sept ans quand on a démarré, donc tous les amis que j'avais autour de moi étaient des gens qui n'avaient pas forcément une très grande expérience professionnelle. Donc, assez logiquement, ça a limité un peu le champ d'action).

CB called, however, the effectiveness of friendship ties into question when he contrasted such ties with professional ties unrelated to the human capital of the entrepreneur. He was, in particular, looking at the Chamber of Commerce who was the first external 'person' to assess his and PP's entrepreneurial project. As he critically commented:

Because the first external person. Because the opinion of a friend is good, the opinion of people close to you, but it is always subjective. It is always... In one way or another it is always: 'Yes, this is a fantastic idea, this will work well' or 'Well, I don't see it like this, your thing. It is going to be very difficult'. Well, such advice is always... There are different relationships which come into here. There you have the Chamber of Commerce and here the banker. They receive the business plan, 50 or 500 per year; they give their opinion and say: 'Well I like this' or 'I don't like it'. They can find as well that you have a big mouth or that you are rather nice but they will always give you their opinion based on the figures and on the concept and on the plan you have suggested. Hence the chamber gives the first verdict. Because we arrived with our idea and said: Well this is our idea. Does this seem like a good idea? Does this seem financially viable? And the answer was positive. (Parce que la première personne extérieure... Parce que, bon, l'avis d'un ami, l'avis de proches, c'est toujours subjectif. Il y a toujours... Dans un sens comme dans l'autre, il y a toujours: "Oui, c'est une super bonne idée, ça va marcher super" ou "Voilà. Je le sens pas, ton truc. Ça va être dur." Bon. Et puis les conseils sont toujours... Il y a des relations différentes qui entrent en ligne de compte. Là, la chambre de commerce ou le banquier, ils reçoivent un truc, ils en

ont vu 50 ou 500 dans l'année, ils donnent tout de suite un avis objectif en disant: "Ça me plaît" ou "Ça ne me plaît pas". Alors ils peuvent trouver aussi que vous avez une sale gueule ou que vous êtes plutôt sympa mais ils donnent quand même un avis plutôt sur des chiffres et sur un concept et sur un plan construit. Donc la chambre de commerce a été aussi un premier verdict. Parce qu'on est arrivés avec notre idée, on a dit: "Voilà. On va faire ce truc-là. Est-ce que ça vous semble une bonne idée? Est-ce que ça vous semble viable financièrement?" et le retour qu'on a eu a été positif (interview with CB on 23.08.2006).

Whereas CB certainly appreciates a friend's opinion on his project, this person's opinion will always be of a subjective nature. In comparison, a BSO such as the Chamber of Commerce or a banker, who are professionals confronted with many different entrepreneurial projects throughout the year are more objective and they will judge the project based on financial data, the concept and the business plan behind it. As he concluded, the Chamber gave the first verdict on the project rather than any friendship ties. I will come back to the aspect of validation in section 9.10.3 and 9.II.6.2.

Contrary to CB, AC pointed out how important it was for him to have friends involved in the venture, people who were sincerely interested in the project and who wanted to help, in particular as the entrepreneur did not know himself exactly where he was going with his project. In an interview with him on 06.07.2006 he expanded on this further:

From the start onwards you need people who are sincerely interested in the creation through connivance and friendship with those who want to create and in order to help them. At the beginning you don't really know where you are going, it is all very ambiguous. It is good to have people around you who are interested and who help. (Dès le démarrage on a besoin de gens qui sont sincèrement intéressés par la création pour un rapport de connivance et d'amitié avec des personnes qui ont envie de créer et pour les aider. Au départ on ne s'est pas très bien où l'on va, on est dans le flou. C'est bien d'avoir des gens qui sont intéressés et qui vous aident).

AC counts all the people involved in his Internet venture as his friends. I was surprised and I asked him to explain his relationship with these people a bit more. He gave the example of M, who was one of AC's first employees. Although she left the project at some stage to work for U in NY, he still has a strong friendship bond with her. As he explained, she trusted him, she did not know anything about football but that did not matter. As AC emphasised, it is all about either trusting or not trusting somebody right from the start. The notion of trusting somebody or not, i.e. '*avoir confiance dans mon entourage*' was subsequently integrated in AC's repertory grid and all the people involved in his venture were ranked at 5 out of 5 indicating the high level of trust he put in them (see AC's repertory grid in Appendix 6.3).

RK: *So it is not just C.* (Donc pas seulement avec C?)

AC: *Yes, yes with everybody, the friendship ties are very strong. I have a personal relationship with all these people.* (Oui, oui avec tous, les liens d'amitié sont forts. Oui, mais j'ai un lien personnel avec toutes ces personnes).

RK: *Even with M who is your employee.* (Même avec M, même si c'est une employée?)

AC : *Even if she is my employee. She still sends me mails, she is working for U. in NY now, she writes about once every two months and when she is in P, I have lunch with her. I have a friendship relationship with her, although she was effectively my employee, but she was the first one. She was the first one who trusted me. She came, she did not know anything about football, she did not even know the names of the players... Either you trust somebody at the beginning or not. It is all based on a trusting relationship.* (Même si elle est employée. Elle m'envoie encore des mails, elle travaille à NY à l'UNICEF, j'ai encore des mails une fois tous les deux mois, et quand elle est de passage à Paris, je déjeune avec elle). *J'ai une relation amicale, alors que c'était une employée effectivement, mais c'était la 1^{ère} employée. Donc, c'est la 1^{ère} qui m'a fait confiance. Elle venait, elle connaissait rien au foot, elle connaissait même pas les noms des joueurs de foot... On fait confiance à quelqu'un au départ, ou on ne lui fait pas. C'est très basé sur la relation de confiance* (interview with AC on 06.07.2006).

8.4 Friends as co-founders and the effect on the entrepreneurial network

The majority of existing research on entrepreneurial networks focuses on the evaluation of one individual entrepreneur's network which does, however, not reflect the entrepreneurial reality given the growing numbers of start-ups of teams of entrepreneurs (Witt 2004). One of the possible effects of multiple networks of entrepreneurial teams could be that networks are additive, i.e. "the network size is the number of direct contacts of all founders combined" (Witt 2004, p. 402). Doubling the network size due to a second founder sounds an attractive concept given that researchers such as Aldrich et al. (1987) and Johannisson (1996) emphasised the importance of a large-sized network as beneficial for company survival and performance. Witt (2004) points out, however, the dangers of possible overlap in the personal networks of the individual team members, yet he also acknowledges that such 'double' ties are possibly stronger and more valuable than 'single ties'.

Among the thirteen cases which I investigated for this research, there were seven team foundations, five of which were cases where friends had created an entrepreneurial venture together. These are AC and H, SLB and MA, BS and NFi, E and JT and JMB and F. SLB and MA as well as BS and NFi happen to be former colleagues; JMB and F are fellow students from ESC times. I will discuss their respective cases in part I of Chapter 9. Only AC and H as well as E and JT do *not* share professional or educational bonds related to their human capital and these two cases will be given particular attention in this section. Whereas Heider (1958, read in Krackhardt & Kilduff 1999)

argued that people are either friends or not, this research has shown that the situation is not so clear-cut as individuals combine a multiplexity of roles, which adds to the quality of the tie and arguably makes them very attractive for the entrepreneur.

AC, who created an Internet company when he returned from the US in 1999, pulled people into his network whom he had known for a long time. There is, in particular, his associate H who joined the venture 5 months after the actual creation; I did not interview H as I had set out only to interview the co-founders that had been with the entrepreneurial project from the very beginning. The two men had known each other for about 20 years before actually working together; they are friends from their adolescence. In general, AC placed much emphasis on the notion of having known somebody for a long time and this aspect got later integrated in AC's repertory grid. He emphasised that all the people involved in his venture were his friends. As I highlighted earlier AC put particular emphasis on the issue of trust in this entourage. Having known people for a long time and having a trusting relationship with them were key issues for AC.

The second case where two friends created a venture together are E and JT who share the same passion for food and created a restaurant in the heart of Paris. Both entrepreneurs come from very different, yet potentially complementary, professional backgrounds. E used to work in a senior management position for a large oil company and JT in finance. E prepared herself to create a restaurant by following different cooking courses such as CAP pâtisserie, JT went into owning a restaurant coming from an industrial background, without any preparation for the task. The two founders met through a joint friend (Ancien) more than 10 years ago. Asking E why she associated herself with JT, she explained that they shared a passion for the restaurant business. They had talked about having a restaurant for a long time but initially it was meant as a joke until the day they decided to do it. They developed the idea together. E explained her relationship with JT in more detail:

We were very passionate about the restaurant business in a group of friends we organised dinners at his place or mine before I had my children and we often said that one day we will do it, it was a bit like a joke until one day we said, let's do it, it is time to do it. (On était tous les 2 passionnés de gastronomie, dans le groupe d'amis, les dîners c'était souvent chez lui ou chez moi avant que j'ai des enfants et on s'était toujours dit un jour on le fera, mais un peu comme une blague et puis un jour on s'est dit ça y est on se lance, il est temps de se lancer) (interview with E on 06.07.2006).

The third case where friends, who also happen to be Anciens, created a venture together is JMB and F. The two founders did, however, not have an equal input into the entrepreneurial project as JMB primarily needed a second person to found a SARL (see section 2.7). Hence he asked F, an ESC graduate, who also happened to be one of his best friends, to join him as a silent partner, a shareholder without an active role. F holds 2% of the capital of the company. Due to F's limited role in JMB's entrepreneurial project, JMB emphasised on a number of occasions that he founded the company on his own and F only joined him out of the necessity to conform with French law, I did not interview F.

F has a background in banking. Throughout the venture creation process F has primarily had a consultative role. As JMB recounted, he appreciated F for his advice and the discussions with him. Their joint reflections, '*reflexions ensembles*', are important to him. Cheetham & Chivers' (2001) research underlined the importance of reflecting jointly with others in a research study on informal learning methods. Although the researchers expressed reservations about the value of reflection in the early stages of professional development they found that it would be vital to continuing development, a stage at which we find JMB. Like other entrepreneurs JMB benefited greatly from reflections with different parties at the early stage of the start-up and given that some entrepreneurs even called the first stage of their phases' model a '*phase de reflection*' (see for instance YC's phases model in Appendix 6.4), I conclude that reflection with others triggers learning. JMB shed more light on his relationship with F in the following quote:

JMB: Well he is a graduate from the ESC (1999). By coincidence. So we were in the same year group. His role is, in fact, in order to create a SARL you need two people. To create a company. So I just asked him to join me. Without any expectations regarding his involvement in the business activity. However, this is somebody with whom I have discussed a lot and who has given me his opinion, his way of seeing things, sometimes advice, sometimes not. This is somebody who does not come from the same milieu. He works for a business bank. This is not particularly related to my activity which is sport marketing. But he is one of my best friends. (Il a fait l'ESC Rouen, promo 1999. Comme par hasard. C'est donc un copain de promo. En fait, son rôle, c'est, au départ, pour créer une SARL, il faut deux personnes. Pour créer une société. Donc je lui ai juste demandé d'être la deuxième. Sans aucune attente par rapport à l'activité de la société. Par contre, c'est quelqu'un avec qui j'ai beaucoup discuté et qui m'a donné son avis, sa façon de voir les choses, parfois des conseils, parfois non. C'est quelqu'un qui n'est pas du tout dans ce milieu-là. Il travaille dans une banque d'affaires. Donc pas spécialement lié à mon activité de marketing du sport. Mais c'est un de mes meilleurs amis).

RK: Best friends? (Meilleurs amis?)

JMB: Exactly (Voilà. Exactement.)

RK: But has he got an active role in the business? (Mais est-ce qu'il a un rôle actif?)

JMB: No not really. He has been involved occasionally. In two or three things where I asked him to take an active role. But these are really small things. Once I asked him to help me to recruit a commercial person. So we did the interview together. Once. And even then it was the second interview; I did the first on my own. He is rather a friend. He has a consultative role. This means that I discuss my expectations, the changes I want to make, my decisions, I discuss all of this systematically with him. Well he has also got a brother who is an associate in an accounting office, these are management accountants. Well this is all due a bit to knowing people. But this is good because out of a sudden I had advisers of a very good level, people with an external point of view. And often this is because of him, we think very similar .. but this is occasional. This is related to very specific areas. It is not about the daily business. (Non. Quasiment pas. Il l'a eu de façon très, très ponctuelle. Sur deux, trois petites choses où je lui ai demandé en effet, oui, d'avoir un rôle actif. Mais c'est vraiment des petites choses, quoi. Une fois je lui ai demandé de m'aider à recruter le commercial. Donc une fois on a fait un entretien ensemble. Une fois. Et encore c'était le deuxième entretien, je l'avais déjà fait une fois tout seul. Et c'est plus un ami. Un consultatif. C'est-à-dire que mes prévisions, mes changements, mes décisions, je lui en parle systématiquement. Voilà. Il a un frère qui est associé dans un cabinet de comptables qui sont les comptables de la société. Donc, là aussi, c'est un peu lié à une connaissance. Mais c'est bien parce que, du coup, j'ai des conseils, on va dire, de très bon niveau de gens qui ont un regard extérieur. Et souvent ça vient par lui, donc on a des tas de réflexions ensemble. ...C'est ponctuel. C'est sur des domaines très particuliers. Pas dans l'activité courante de la société) (interview with JMB on 25.08.2006).

A further important point in JMB's comment is the repeated emphasis on his associate's occasional role; his input in the business is very '*ponctuel*' (occasional), yet JMB appreciates his input as a discussion partner, they share very similar ways of thinking. The fact, however, that F's brother is an accountant and very well connected works out to JMB's advantage as the former acts as a bridge. Through him JMB meets people of a '*très bon niveau*', people of a high level, with an external point of view, which is of great benefit to JMB's own project. F is a bridge to clusters of very well educated people whose knowledge could be of potential benefit to his project. In the following extract JMB illustrated the situation in more detail, he emphasised, in particular, that he involved different people for different tasks:

I involve people for particular questions. I will give you a very precise example. For the recruitment of the commercial. I had realised that I needed to recruit somebody, it was very difficult and I was not doing a good job. I find this very difficult. And I had had, I had the feeling that I needed some help. So I asked my associate to help me with the recruitment. He interviewed the candidates together with me. Well, if not, honestly, for my activity, I involve very few people, that is true, I involve very few people. (J'implique des gens sur des questions particulières. Je vous cite un exemple précis. Pour le recrutement du commercial. Je me suis aperçu que recruter, c'est très difficile et je le fais très mal. Je trouve ça terriblement difficile. Et j'ai eu... J'ai vraiment ressenti le besoin de me faire aider. Donc j'ai impliqué mon associé dans le recrutement. Il a fait des entretiens avec moi. Voilà. Sinon, très honnêtement, pour mon activité, je... J'implique relativement peu de personnes. C'est vrai. C'est vrai, j'implique relativement peu de personnes) (interview with JMB on 18.05.2006).

In the same interview he detailed F's involvement further:

So I keep him informed and involved. Involved in the way that he shares my reflections, he gives his opinion, I take them into account, this is important and once in a while he can even participate in the life of the business as he did when we conducted the recruitment interviews together. At this moment, he is really part of the business activity. This is obvious. (Donc lui est informé *et* impliqué. Impliqué dans le sens où il participe aux réflexions, il donne son avis, j'en tiens compte, c'est important, et, ponctuellement, il peut même participer à la vie de la société comme quand il m'a accompagné pour faire des entretiens d'embauche pour embaucher la personne. Donc là, vraiment, il est dans l'activité de la société. C'est clair).

As these comments show, the co-founder F has a very limited involvement in JMB's venture, his involvement is of a sporadic nature. He is, however, important, for JMB's reflections and acts as a bridge to an important cluster of people who can advise him on important aspects of his business.

The discussion in this section has shown that factors such as the historical dimension of the relationship, in the three cases the co-founders have known each other for more than ten years, trust embedded in the long-term relationship and a shared passion characterise the relationship of the founders and create affinity between them. Furthermore as JMB's case shows, his co-founder is very important from a cognitive point of view, the joint reflection are key to the relationship, on the operational side F is rarely involved. Chapter 10 will further illustrate the importance of the cognitive dimension of social capital.

8.5 Friendship ties as fellow entrepreneurs and discussion partners with no need for reciprocity

N is a friend of JMB's from his time at the ESC. N set up a supermarket at the same time when JMB created his own business, which certainly created affinities between the two men. JMB recognises him as a fellow entrepreneur. Having asked when N had created his own business JMB expanded on this as follows :

Well, yes. It was at about the same time when I created my company. He was a friend from the same year group (at the ESC), he is somebody with whom I have exchanged a lot of ideas, really, it is pure exchange, let's say. Pure exchange. This is something he has in common with my father, this is pure exchange. These are really people with whom I discuss without them having any particular expectations. So I would say: Can you help me with this, what shall I do? Without involving him or me any further. (Oui. C'est ça. A peu près dans le même timing que moi il a créé sa société. C'est un copain de promo, donc c'est quelqu'un avec qui j'ai beaucoup échangé, vraiment, c'est de l'échange pur, on va dire. C'est de l'échange pur. Ça, ça lui fait un point commun plutôt avec mon père. Là, c'est de l'échange pur. C'est vraiment des gens avec qui j'ai discuté sans qu'ils y aient ni d'attentes particulières... Donc "Aide-moi sur ce point-là. Qu'est-ce que je fais?" sans qu'il y ait d'implication ni de l'un ni de l'autre) (interview with JMB on 25.08.2006).

JMB's friend and fellow student from ESC times created his own business at the same time JMB himself embarked on his adventure. JMB emphasised, in particular, the dimension of pure information exchange, without further involvement of either party. Similar to GK and his father-in-law D (see section 7.6.3), JMB's relationship with his friend N and his father are characterised by a lack of expectations of either party. There is no need to reciprocate any favours.

Like JMB, who appreciated the discussions and joint reflections with F, E emphasised the role of some of her friends as discussion partners. These friends worked in communication and marketing. She contrasted these informal conversations and the advice she got with the more formal way of thinking she had had with her associate JT and the Ancien ST. Whereas for the latter these meetings were structured and organised and very serious, some of her friends were interested in her project as it was amusing to have a friend who was trying to create a business. Recognising the difference between the people seriously involved in the project and other friends E critically comments upon the advice she got.

E: This is really interesting as in fact there are people with whom to entertain formal relationships, where you think in a formal way like with my associate or ST, for instance and then there are the discussions that I can have with my friends as obviously I am doing something that is of interest to my entourage, it is amusing to have a friend who has opened his own restaurant. In particular among my best friends are many people who work in Communication, either in Marketing or PR... (oui ça c'est intéressant parce qu'en fait il y a des gens avec lesquels on va effectivement avoir des relations très formelles on va réfléchir de façon formelle que ce soit mon associé ou Stéphane par exemple et puis après il y a toutes les discussions que je peux avoir avec mes copains parce que évidemment c'est un truc qui a intéressé beaucoup mon entourage cette histoire là, c'est amusant d'avoir un copain qui monte un restau. Surtout dans mes meilleurs amis il y a beaucoup de gens qui travaillent soit dans la communication, soit dans le marketing, la pub).

RK : So they have helped you. (Donc et ils vous ont aidé)

E: Helped in the sense that, once again, it was rather through discussions or advice, but obviously you cannot accept the advice you get from everybody, you see what I mean?

(E: aidé, dans le sens où ils m'ont, encore une fois c'est plutôt par le biais de discussions ou de conseils comme ça mais après on ne peut pas prendre tous les conseils de tout le monde, vous voyez ce que je veux dire) (interview with E on 06.07.2006).

Even though E clearly appreciated the discussion and the advice she got from her friends she could simply not consider anybody's opinion, which again underlines the calculative approach I already highlighted in section 6.11.7.

8.6 Friends as entrepreneurs to learn from

R has two friends who are both entrepreneurs (L and S) and who have been involved in the last phase of the entrepreneurial start-up. His friend L has created a services company, he is 30 years old and his friend S created a trading company. R and S went to school together, but the latter is not an Ancien. R did not present his entrepreneurial idea to them in the early stages of the start-up, it was rather them who presented their projects to him with all the difficulties and experiences they had gone through. Hence R benefited from a learning experience as he could learn from their successes and avoid repeating the mistakes they had made.

8.7 Friends as entrepreneurs providing knowledge and commercial detachment

Talking about his old school friend ST, who is also an entrepreneur, R picked out, in particular, the idea of '*avoir des bonnes connaissances des mécanismes économiques et création d'entreprise vs ne pas l'avoir*' (having (or not) a knowledge of the economic world and enterprise creation). Contrasting S with C, R's lawyer, and informal business contacts, i.e. Anciens from the ESC Rouen, R underlined that in S's case the emotional side of the relationship would be weaker than with the family. S would give him good economic advice and would also be detached commercially as he would not want to sell him any services. This concept of '*détachement commercial*' was later integrated in the repertory grid (see Appendix 6.3)

Well, take, for instance, the grid, he would certainly have a knowledge of the economic world and enterprise creation. S, would be somewhere in the middle. Between informal contacts and the family. In the way that the emotional side is equally a bit weaker. This side is not too strong either. It is much weaker than with the family, for instance. You have the quality of economic advice. You have the commercial detachment. He is not going to sell me his services and we have never worked together. That's it. (Oui. Voilà. Donc, par exemple, dans la grille, il aura une connaissance du monde économique et de la création d'entreprise. S, je pense qu'il sera au milieu. Entre les contacts informels et la famille. Dans le sens où la partie affective est là également un peu moins. Elle n'est pas trop forte non plus. Elle est beaucoup moins forte qu'avec la famille, par exemple. On a la qualité des conseils au niveau économique. Il y aura le détachement commercial. Il ne va pas me vendre de prestations. Il aura comme point commun de n'avoir jamais travaillé avec moi. Voilà) (interview with R on 21.11.2006).

Examining the repertory grid in more detail it becomes evident that R ranked his family and friends at either 4 or 5 in terms of commercial detachment. There are two exceptions to this which are C, the lawyer, who is rated at 1, which indicates that there is a strong commercial dependence on R's entrepreneurial project. This contrasts with

the informal contacts, i.e. the Anciens from the ESC Rouen, who are ranked at 3, which indicates that there could potentially be a commercial interest, but there is no obligation to develop such.

8.8 Friends, Anciens and/or entrepreneurs provide advice and task related competences

There are a number of cases such as CB and PP as well as GK where the entrepreneur surrounds himself with good friends who also happen to be entrepreneurs. L, for instance, is one of GK's best friend (but not from ESC times), who created his own webagency three years earlier than GK. Ant is a friend from ESC times, who created twice and later inherited an international food business. These friends can offer substantial entrepreneurial expertise. The following extract illustrates GK's relationship with his friend Ant and L. Whereas Ant can offer, in particular, experience in distribution marketing and he shares a similar educational background with GK, L can best advise on how to cope with certain start-up difficulties. As GK underlined, such advice is very important given its operational dimension. He invited these two friends and two other people to form an advisory committee that would meet on a regular basis. The first meeting took place when GK was about to start his company CK. He presented them his business plan and although it was a tough experience as his friends were very critical of his endeavours, he described this experience as motivating. The following quote illustrates the situation:

The two others are younger: one is part of a family who manages a large distribution chain, they have several shops in Europe, and he is going to take over the business one day and is in the process of forming himself. This is very interesting as he has experience of distribution, marketing and he has a commercial degree which is similar to mine. The fourth is an old friend with a very commercial experience who has created his own communication business, three years before me. He has gone through a number of difficulties before me and can teach me certain things such as for instance how to find the right accountant. This is a very operational dimension. His company is called TT, his name is L. The other is called Ant. I met him at the ESC. This was a very important phase as I invited them all to give me their opinion when I started with CK. I showed them the business plan, they were very critical. These were the rules of the game. This is often very frustrating but also motivating, the fourth meeting will be in September this year. (Les deux autres sont plus jeunes : un fait partie de la famille d'un grand groupe de distribution, plusieurs magasins en Europe, il doit prendre la succession et est en phase de formation. C'est intéressant qu'il ait l'expérience de la distribution, du marketing et ait un cursus universitaire commercial qui ressemble au mien. Le 4^e est un très vieil ami qui a une expérience très commerciale et a fini par monter sa boîte de com, trois ans avant moi. Il a passé un certain nombre de caps avant moi et peut me renseigner sur certaines choses comme choisir un expert comptable. C'est une dimension plus opérationnelle. Sa boîte est TT, son nom est L. L'autre est Ant. Je l'ai rencontré à l'école. C'est une phase importante, car avant de commencer CK, je les ai réunis, leur ai demandé leur avis, leur montré un plan,

ils ont été critiques. C'est la règle du jeu. C'est souvent frustrant mais motivant. La 4^e réunion se profile à la rentrée) (interview with GK on 26.07.2008).

I will comment on PP and CB's case in detail in Chapter 9.

8.9 Friendship ties as bridges

Similar to family ties which can act as bridges to hitherto unconnected clusters of valuable contacts (see Chapter 7), we find friends who have a similar function for the entrepreneur. I will illustrate this point in NF's case. St and E are both friends of NF, he involved them in his project to discuss the project idea with them, he saw them regularly and he presented his ideas to them to get their feedback. St also put NF in contact with other people of interest to NF's project and E acted as intermediary between NF and a client (C). NF emphasised, however, that whereas E only gave him a name and he was lucky that the company was interested in his services, St who later becomes NF's first client, was a decision-maker. Furthermore one of NF's friends (O) who happened to be a supplier to P, NF's former employer, acted as intermediary between NF and a new client (NC). NC was one of the first three clients of NF and hence very important for the entrepreneur. O later establishes CI at Bordeaux, a franchise of the original venture NF established in Paris. As NF remembered,

There is another client who I had very quickly, this is NC, and it was another friend who put me in touch with him, it was a friend, a guy who used to be my supplier when I was at P, who used to organise the stalls and similar things, I had lunch with him and he said: ring this company, they probably need a film and this was the first film I made. This was NC, thanks to O who rang me. Perhaps you should know that O is the one who will create CI in Bourdeaux. (Et autrement, un autre client que j'ai eu très vite aussi, c'est NC, et ça c'est un autre copain qui me l'a donné, et c'est un autre copain, un mec qui était fournisseur pour moi quand j'étais chez P, qui faisait des stands et pareil, j'ai déjeuné avec lui et il m'a dit : appelle cette boîte là, ils ont probablement des besoins pour un film. Et c'est le premier film que j'ai fait. C'était à NC, grâce à O, il s'appelle, et il faut savoir que O c'est celui qui est en train de monter CI Bordeaux) (interview with NF 01.03.2006).

Similar to NF, AL found clients through friends as the following extract revealed from an interview with him on 21.11.2006. Asking him about his first clients and how he had found them, AL responded:

Our first client was a pharmaceutical company. We found them by coincidence. A friend who studied pharmacy at the university, a friend who has nothing to do with the project, visited this company as part of his studies and said: ...I had talked to him about the project a bit and he told me: You have to contact them. I had this impression that they had some problems. They could be interested in what you are doing. So I contacted them and indeed it turned out that they were an ideal client for us as they quickly trusted us, we developed a beautiful relationship with them. (Notre premier client, c'est une industrie pharma. Et on l'a trouvé de façon tout à fait hasardeuse. En fait, j'avais un ami qui était en fac de pharmacie. Un ami qui n'avait rien à voir avec le projet. Et il a visité cette entreprise dans le

cadre de son cursus et il m'a dit... Je lui avais parlé un petit peu de mon projet etc. et il m'a dit: "Tu n'as qu'à les contacter. J'ai l'impression qu'ils ont des soucis etc. Ça peut peut-être les intéresser." Et donc je les ai contactés et, en fait, il s'est avéré que c'était un premier client idéal pour nous parce qu'ils nous ont très vite fait confiance, on a bâti une belle relation avec eux).

As the example shows, a friend who is completely detached from AL's entrepreneurial project gave the entrepreneur the advice to contact a particular company, suggesting that they may be interested in his services. As he emphasised, chance played a key role in the situation (also see BS's case in 9.II.6.5). It is also interesting to see how quickly the entrepreneur succeeded in developing a trustful relationship with this company.

These two examples show cases where friends have acted as successful bridges connecting the entrepreneur to clusters of people, who later become clients. Hence these friends had a very important role for the business and it is interesting to see that in the later phases of the business NF trusts O with the creation of a franchise of NF's original company CI. Arguably this sort of reciprocal arrangement shows that trust between ties pays off, maybe not immediately but at a later stage.

8.10 Friends knowing the real you and being available

R further analysed the relationship between his wife H, his former boss A and his friend L when we were establishing the repertory grid. For R the key difference lay in the idea of knowing somebody psychologically and being able to see how he feels, which is the case for H and L, who know him on a personal level, which he contrasts with knowing somebody for his working capacity which is the case for A, his former employer. As he explained:

For me, it is rather about knowing somebody psychologically. Whereas the other concept refers to knowing the operational workings of a company. Take, for instance, L and H who will much more easily feel whether I am in good shape or not, whereas A knows much better how I work. (Non. Pour moi, là, c'est plus un côté connaissance un peu psychologique de la personne. Tandis que l'autre, c'est plutôt une connaissance du fonctionnement opérationnel en entreprise. Par exemple, L et H vont sentir plus facilement si je suis en forme ou pas en forme par rapport à A mais A va connaître beaucoup mieux mon fonctionnement au travail). (Interview with R on 21.11.2006).

R closely associated having personal knowledge of somebody with the historical dimension of the ties in his network, a history that is built upon emotions rather than professional criteria. Similar to Chapter 7 where R emphasised the disposition of his family to be readily available in comparison to his lawyer C, whose availability was very limited, he used this concept here to identify the commonalities and differences

between the H, A and L. He later integrated the concept in the repertory grid (see Appendix 6.3).

Well I place them on two different levels. Here there is a historic dimension, which is built on emotions, but not on the profession. While history can also be created on the professional side, this is more difficult on the emotional side. Hence there is a historic tie and a personal knowledge of the person. Whereas the fact that we have worked together or not, means that you know the other's person working capacity, his way of sorting problems with a team, etc. And this is what my former boss knows better than all the other people with whom I have not worked and thus don't know about it. Well, there may be other differences between the people in terms of individual knowledge of economic mechanisms and enterprise creation. There is also a certain availability of time, which may be very variable. Or a very short availability, for instance. (Moi, je le place à deux crans différents. Là, il y a un côté historique. L'historique s'est fait sur l'affectif, pas sur le professionnel. Tandis qu'ici l'historique s'est fait sur le professionnel, pas sur l'affectif. Donc il y a un côté lien historique et connaissance plus au niveau des ressorts personnels. Tandis que le fait d'avoir travaillé ensemble ou pas, c'est plus savoir au niveau de la force de travail, de la manière de régler un problème en équipe etc. Et ça, mon ancien chef peut le connaître mais des personnes avec qui je n'ai pas travaillé ne le connaîtront pas. Bon, il y a probablement d'autres différences. Selon les personnes, il y aura un niveau de connaissance plus ou moins important des mécanismes économiques et de la création d'entreprise. Il y aura une disponibilité en temps qui va être variable. Ou une disponibilité tout court, d'ailleurs) (Interview with R on 21.11.2006).

Further explaining the differences in the ties' disposition to be available, R expanded: *The greater availability of my family, of my friends and on the other hand the much weaker availability of my professional contacts. Take, for instance, the case of C.* (La très grande disponibilité sera du côté de la famille, des amis et puis la disponibilité beaucoup plus faible sera du côté des contacts plus professionnels. Par exemple, le cas de Ch.) (Interview with R on 21.11.2006).

When I asked him to explain what he meant by 'availability' he stated

Well, in terms of time, in terms of necessity, for instance, of fixing an appointment or preparing a meeting in comparison with a general conversation to talk about this and that. This kind of thing. It is an emotional support. The availability to listen, to make suggestions, to share, to exchange ideas, to change ideas. (Voilà. Au niveau du temps, au niveau de la nécessité, par exemple, de fixer un rendez-vous ou de préparer, par exemple, un rendez-vous par opposition au cas de discussion à bâtons rompus. Ce genre de choses. C'est vraiment un soutien affectif. La disponibilité pour écouter, pour faire des propositions, pour partager, pour échanger beaucoup d'idées, pour se changer les idées) (interview with R on 21.11.2006).

R associates people's availability with being able to listen to his ideas, people providing feedback on his idea. Being available is about sharing, exchanging ideas and offering support for his entrepreneurial venture. Examining his repertory grid (Appendix 6.3) we find that both family and personal friends are all characterised by a high disposition to be available for the entrepreneur, he consistently ranked them at 4 or 5 out of 5. It is obvious from the grid that professional contacts such as the informal contacts he established with the Anciens at the ESC and his lawyer are much less readily available

and hence are rated at 2 and 1 respectively (see Appendix 6.3) by the entrepreneur. This finding finds, to some extent, a reflection in Nebus (2006) who suggested that friends tend to be very accessible and have a higher probability of response.

8.11 Conclusion

The analysis in this Chapter contributes to the existing literature through its focus on the roles and contributions of friendships ties in French entrepreneurial networks at the pre-organisation stage. The Chapter has shown that the entrepreneurs in the study have involved only few ties in a uni-dimensional role as friends only. In fact, the attempt to find ties that are only friends has, to some extent, been an artificial quest. In general, friends have multiplex functions as either co-founders, fellow entrepreneurs or Anciens or a combination of all three. As fellow entrepreneurs they trigger learning in the individual and as co-founders they are important because of the historical nature of the relationship between the two entrepreneurs and their trustful relationship, an attribute these ties share with family ties. Similar to family ties the analysis has identified less need for friendship ties to reciprocate favours, in fact the analysis suggested that friendship ties were characterised by a certain commercial detachment.

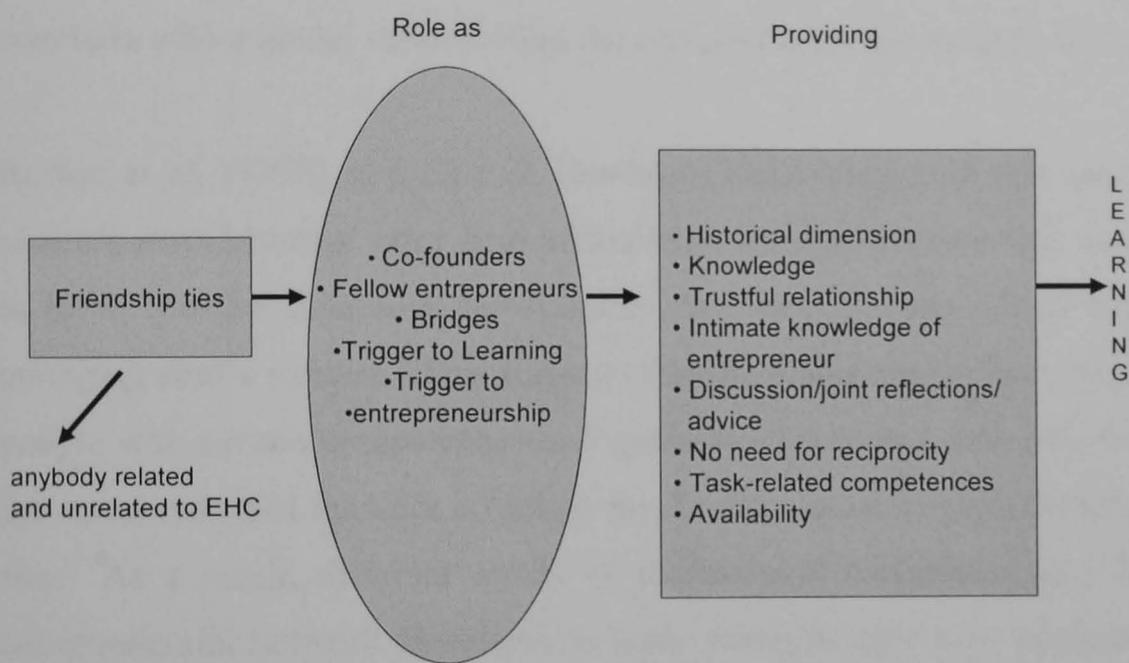
This Chapter also adds to the existing literature as the investigation again illustrated a calculative, purposeful approach of the entrepreneur when choosing ties. Furthermore the analysis pointed out the limits to friendship ties, as the latter were also perceived as subjective and of potentially limited use in the start-up.

Different from Leenders (1997) (section 8.1), the cases discussed here also showed that entrepreneurs involved friends in a range of very task-specific assignments, which indicates that the entrepreneur was very much aware of these ties' strengths and weaknesses. This reintroduces the idea of a purposeful and calculative approach (see Chapter 6) in entrepreneurial networking to counter the disadvantage of friendship ties as having a lower knowledge value, as underlined by Nebus (2006).

Similar to Chapter 6 and 7 which had already underlined the need for a reflexive approach in the entrepreneurial network, this Chapter has emphasised the important role of friendship ties as they offer reflectiveness and discussions. This aspect is complemented by a deeper psychological dimension, as highlighted by R, who gave the

example of ties knowing the real him, not just the professional side. Figure 8.1 summarises the different roles and contributions of friendship ties.

Figure 8.1: The roles and different contributions of friendship ties



Chapter 9 continues the analysis with an in-depth investigation of professional ties related and unrelated to the EHC.

Chapter 9: The relational dimension of Social Capital: Professional ties

9.1 Introduction

The preceding chapter presented the in-depth analysis of friendship ties and their roles and contributions to the entrepreneurial venture. This Chapter continues the analysis of the relational dimension of social capital with a focus on professional ties. As already discussed in Chapter 6 there are two types of professional ties; those ties which relate to the entrepreneurial human capital (EHC), i.e. former colleagues, former employers and/or Anciens, and those completely detached from the entrepreneur. This Chapter is a reflection of this two-tier categorisation with part I focussing on professional ties related and part II on ties unrelated to the human capital of the entrepreneur. Both parts will conclude with a model summarising the different roles and contributions of the ties.

Burton et al. (1998) and Hite & Hesterly (2001) suggested that networks evolve as entrepreneurs leverage prior firm affiliations, in particular previous career experiences, to bring broader functional networks to their new venture which may influence the emerging firm's success. This suggests that the entrepreneur has a vital role in inviting people with certain competences and qualities into his/her network which may impact the entrepreneurial network structure due to the changing composition of the different ties. As a result, different levels of professional experience may lead to different entrepreneurial network structures as some entrepreneurs may possess a more diverse network due to prior professional experience than others who have had to build their network from scratch.

9.1 Part I

The thematic analysis of the interview transcripts has shown that professional ties related to the EHC appear in different roles offering different contributions to the entrepreneurial project. We find former colleagues/employers/Anciens

- as co-founders and financiers ,
- as co-founders offering complementarity, credibility, knowledge, professional experience and external validation
- as triggers for the creation and as a source of inspiration,
- as role models encouraging learning
- as entrepreneurs facilitating start-up

- as first clients and gateway to potential clients
- as bridges to clusters of new contacts

9.1.2 Quality of the tie

Similar to family and friendship ties where historicity plays a role in the relationship between the entrepreneur and his network ties, entrepreneurs like YC underlined the importance of the historical dimension of professional ties. YC illustrated the key importance of professional ties related to his human capital as follows:

The people who know me best, with whom I have worked are my former employers. The people who helped me most were my former employers, the people with whom I have worked, who have known me, who were, who have helped me in my career. Well, whether they had any projects for me or not, but it is probably them who helped me most. (Oui. Les gens qui me connaissent le mieux, avec lesquels j'ai travaillé. Anciens patrons. Les gens qui m'ont probablement le plus aidé sont mes anciens patrons, les gens pour lesquels j'avais travaillé, qui me connaissaient, qui avaient été... qui m'ont aidé au travers de ma carrière. Alors ils avaient des projets ou ils n'en avaient pas mais c'est probablement eux qui m'ont aidé) (interview with YC on 29.01. 2007).

In the same interview YC highlighted that professional ties also turned into friendship ties. These ties have known YC for a long time and have helped him develop his career. He and ST1, who is his oldest friend in the US, have known each other for 30 years. He also worked together with ST2 at another multinational company, (GF). This is where he met R, who happened to work for ST2, but the two men did not get along with each other. ST2 asked YC to work with R as he knew that YC had no problems with R. As YC told me, he arrived like a 'white knight'. Whilst there were initial problems between YC and ST2 regarding their management styles they later became friends. YC illustrated the situation,

And since then we have become friends and each time he had a new job, he wants me to work for him. He has developed a lot of trust in me and I am probably one of the only persons he can work with. And finally we are very different but we succeed in working together. (Et, depuis, on est devenus assez amis et à chaque fois qu'il a un nouveau travail, il veut que j'aie travaillé pour lui. Il a énormément.. Il a développé une grande confiance et je suis probablement l'une des seules personnes qui puisse travailler avec lui. Et, finalement, on est très différents l'un de l'autre mais on a réussi à travailler ensemble) (interview with YC on 29.01. 2007).

YC and R succeeded in developing mutual trust for each other which results in R offering YC to work together whenever and wherever possible. YC is probably one of the few people who can work with R. YC's case illustrates how the historicity of a tie

and the development of mutual trust go hand in hand in forming a close relationship, which is similar to section 8.4.

In addition, BS made an interesting distinction between '*relations de travail direct*', direct work-related relationships versus relations avec '*collègues éloignés*', i.e. relationships with more distant colleagues, in his professional network. BS has been working as a consultant for major consultancy firms in P for several years. Hence his profession makes a certain way of working together with other clients/colleagues imperative. The fact that BS later integrated the distinction between the different types of colleagues in his repertory grid may be a reflection of a profession-specific situation. He distinguished between belonging to a company and working on the same project and belonging to the same company but never working together, as was the case between him and his co-founder NFi. They both worked at company AA together, yet never on the same mission. As BS concluded he spent his life with his clients and other colleagues from other consultancies but rarely with colleagues from the same company:

I think the distinction is important as you can have different types of relations between two people of different companies but who work on the same project than between two people of the same consultancy but who work in very distant fields and without any rapport. It is true that belonging to a company needs to be put into relation with belonging to certain project where you are involved. As these can be long-term projects. Hence very clearly our daily life is not with the people from the consultancy. We don't spend our life with them. We spend our life with our clients and eventually other service providers of other companies who also work for us and whom we can have as intermediaries or colleagues. Obviously the same person may be at the same time a colleague from the consultancy and at the same time a colleague on the same mission. Thus the two notions can sometimes fall together. In that case you would be really working together; hence these are rather project colleagues than distant colleagues. These are rather project colleagues than colleagues from the consultancy. (Je pense que la distinction est importante parce qu'il peut y avoir plus de liens entre deux personnes de sociétés différentes mais qui travaillent sur un même projet qu'entre deux personnes d'un même cabinet mais qui travaillent sur des domaines de compétences parfaitement éloignés et sans rapport. 'est vrai que l'appartenance à une société est à mettre en balance avec l'appartenance aux projets sur lesquels on intervient. Puisque c'est des projets qui peuvent être de très longue durée. Donc, concrètement, notre vie au quotidien n'est pas avec les gens de notre cabinet. On ne passe pas notre vie avec eux. On passe notre vie avec nos clients et, éventuellement, des prestataires d'autres sociétés qui interviennent pour notre compte, qu'on peut avoir comme interlocuteurs ou collègues. ...Sachant que parfois, évidemment, une même personne peut être à la fois un collègue de son cabinet et à la fois un collègue sur la mission. Donc les notions peuvent parfois se recouper. Là, en l'occurrence, on est vraiment sur des relations où on a vraiment travaillé ensemble, donc c'est plus des collègues projet que des collègues éloignés. C'est plus des collègues projet que des collègues cabinet). (interview with BS on 28.07.2006).

Both cases illustrated interesting, yet very different aspects of the quality of ties. The following sections will illustrate the different roles of professional ties.

9.I.3 Professional ties as co-founder and financier

This section sheds light on the role of professional ties as co-founder. BS and NFi created an entrepreneurial venture in the French banking sector. Both were friends prior to engaging in this adventure. They worked at the same company at some stage of their career (company AA), yet they had never actually worked together. NFi acts as a silent partner who supplies the necessary finance but does not actively engage in the venture. As BS pointed out in an interview on 28.7.2006, NFi was equally important from a legal point of view as NFi bought the parts of BS's first associate. BS was legally obliged to have a second person to run an SARL (see section 2.7) . NFi is presently employed in the finance sector in London, which may offer later opportunities for expanding the venture across to the UK. Apart from offering financial contributions to the entrepreneurial venture professional ties take on a variety of other roles as the next sections shows.

9.I.4 Former colleagues/Anciens as co-founders offering complementarity, credibility, professional experience and emotional support

CB and PP are two Anciens who created together, PP was 42 years old and CB 27 at the time of the creation, which impacted on the level of professional experience and attitude both entrepreneurs brought to the entrepreneurial project, as I will show later. PP is the trigger for the entrepreneurial venture; he discovered a niche for a new coffee whilst he was still employed at the company S. He asked CB, also a graduate from the ESC Rouen, to join him. PP's case illustrates negative displacement as a push factor for going into entrepreneurship, which is in line with Shapero (1975) and Shapero & Sokol (1982) who argued that there are two triggers to the decision to start a business: First, the entrepreneur has to perceive a "credible" (believable opportunity) or secondly, it requires, as Shapero & Sokol (1982) assumed, that people are motivated by 'displacement', which could be either positive or negative. In PP's case it was rather negative displacement that motivated his departure from company S.

Being asked to clarify the involvement of both founders in the phase of the launch, PP outlined:

Well on a scale of 1 out of 5, I was at 5, at 100% and CB at 3.5. He was not as involved in the project as I was as he was much younger. He must have been 27 years old.

Consequently this was not the project of his life. For him if it worked out it would be a great opportunity, if it did not, he would find a new job or another school or another position as Chef de Produit or Chef de Groupe. He would have had the experience of launching a business. Me, I was 42, I had a wife who did not work and three children. Hence I did not have the right to fail. It had to work... It is true at that time we had more conflicts than now as it is true that I felt a bit disturbed by the fact that he was not involved as I was. I don't know what he would say about this now. (Je dirais que là, j'étais à cinq j'étais impliqué à 100% et CB était à trois et demi. Il ne jouait pas autant que moi sur le projet parce qu'il était beaucoup plus jeune. Il devait avoir vingt-sept ans. Donc ce n'était pas le projet de sa vie. Pour lui, si ça marchait, c'était une bonne opportunité; si ça ne marchait pas, il pouvait retrouver un job ou dans une autre école ou comme chef de produit ou chef de groupe. Il aurait eu une expérience de lancement de société. Moi, j'avais quarante-deux ans, une femme qui ne travaillait pas, trois enfants. Donc je n'avais pas le droit à l'échec. Il fallait que ça passe. On avait plus de conflits qu'on n'en a maintenant parce que c'est vrai que j'étais un peu gêné par le fait que je ne le sentais pas aussi impliqué que moi. Je ne sais pas ce qu'il dirait aujourd'hui) (interview with PP on 06.11.2006).

As this short extract shows, PP was under pressure to succeed. He had to look after his wife and children. This together with the fact that he was 15 years older than CB created tension between the two founders as CB did not imply himself in the project as envisaged.

Over time CB's attitude towards the entrepreneurial project has, however, changed, as PP explained:

Well, he was a bit behind in the project. Since then he has, however, become very involved. But at the beginning he looked at this as something a bit, he could have done this or something else. But when he was doing the work, he was, he was always, it was not his competences that were in question. (Oui, il était un petit peu plus en recul. Alors que, depuis des années maintenant, il est très impliqué. Mais au début, c'est vrai qu'il regardait ça un peu comme... Bon, il aurait pu faire ça ou autre chose. Mais, quand il faisait le travail, il était, il a toujours été, ce n'était pas sa compétence, loin de là, qui était en cause) (interview with PP on 06.11.2006).

Being asked about a possible complementarity between the two founders PP expanded:

As I said the other day during the roundtable. We have a certain complementarity, but we don't have a theoretical complementarity. This means that I am not a salesman and marketing specialist and CB is a financial expert. We both have a strength in sales and marketing. I would even say commercial marketing. We are both Marketing specialists. The strength of the company is the launch of new products. We create about 10 products per year, which is not bad. (Je l'ai dit l'autre jour pendant votre table ronde. On a une certaine complémentarité mais on n'a pas une complémentarité, je dirais, théorique. C'est-à-dire que moi, je ne suis pas commercial marketing et CB est financier. On est tous les deux avec une dominante forte commercial marketing. Je dirais même marketing commercial. On est tous les deux des hommes de marketing. La force de la société, c'est qu'on a toujours été sur des créations de produits. On crée presque dix produits par an, ce qui est quand même pas mal) (interview with PP on 6.11.2007).

Whereas PP did not hesitate to underline both men's complementary skills, albeit not in a theoretical way, it is obvious, however, that PP's profound knowledge of the coffee

sector and his long experience in the business have been crucial for the success and the early development of the venture. He brought his experience and his network to the project. The following quote sheds light on the situation. PP explained to me how he got in touch with his professional ties during the phase of exploration. It was important to get the products to the points of sale on time and he had been in touch with his buyers, his middlemen.

PP: I got in touch with the buyers, my intermediaries. Somehow this is a network as my intermediaries were the central buying departments. So I told them: Have a look. I am going to launch a café called M. I have to ask you to keep this confidential'. And I was quite lucky as quite a few of them told me: Yes, we are interested. We are going to make a test.' We got access to company C, company M, also company P which does no longer exist. We also got inside C and E. Some of these supermarket chains have already disappeared. We started very quickly through the network that I had as these people trusted me as before I had... This is the difference between somebody with experience launching a venture and young ones who don't have this advantage. This means that I could advance much faster. If CB had been on his own he would have never had the credibility to have the product referenced. And this has somehow opened doors (J'ai pris contact avec tous les acheteurs, mes interlocuteurs. Quelque part, c'est un réseau puisque mes interlocuteurs étaient les centrales d'achats. Donc je leur ai dit: "Voilà. Je vais lancer un café M. Je vous demande la plus grande discrétion." Et donc j'ai eu la chance quand même qu'il y en ait pas mal qui me disent: "Oui, ça nous intéresse. On va faire un test." ...On est rentrés tout de suite chez C., on est rentrés chez M., on est rentrés chez P. aussi, qui n'existe plus maintenant. On est rentrés chez CF et chez E. Certaines de ces enseignes ont disparu... On a démarré très, très vite par le réseau que j'avais parce que les gens me faisaient confiance parce que, auparavant, j'avais... Ça, c'est la différence entre le lancement de quelqu'un qui a une expérience et le lancement de jeunes. C'est-à-dire que j'ai pu aller beaucoup plus vite. Si CH avait été tout seul il n'aurait pas pu avoir la crédibilité pour référencer le produit. Et ça, quelque part, c'est ce qui a ouvert la porte) (interview with PP on 6.11.2007).

As PP emphasised, there is a big difference between an entrepreneur, who has significant professional experience and a network that goes with it, launching a venture and young people who have to start from scratch. He realistically stated that his partner CB would not have been able to do it on his own as he was young, lacked the professional experience and did not have the credibility with the professionals that PP had. His professional ties trusted him as he had already successfully launched similar products, which added to the project's credibility.

RK: So we have two key aspects here. First, people trusted you. (Donc on a deux aspects clefs là. D'abord, les gens vous ont fait confiance).

PP: Yes, indeed. It was the trust of the buyers, of the buying departments. (Voilà. Confiance des acheteurs, des centrales d'achats).

RK: That's it. And the second point. The credibility. (C'est ça. Et le deuxième point clef. La crédibilité).

PP: Yes, the credibility. Through the experience I had when I had launched coffees such as SM and F. So they could say to themselves: Yes, he has done this, so(La crédibilité,

oui. Par l'expérience que j'avais eue sur des lancements comme SM ou F. Donc ils ont dû se dire: "Oui, il a fait ça, donc...")

RK: *So they thought that the project.* (C'est ça. Ils ont pensé que le projet...)

PP: *could work. And then it was the attractiveness of the brand M. But it was not really a brand name at the time. It was rather a restaurant than a brand name* (pouvait marcher. Et puis il y avait l'attractivité de la marque M. Mais ce n'était pas tout à fait une marque à l'époque. Quand on l'a fait, c'était plus un restaurant qu'une marque) (interview with PP on 06.11.2006).

It is also interesting for the reader to understand that CB confirmed this information. Indeed he was very much aware of the fact that he was too young to have a sufficiently developed network of professional contacts and that the two founders made use of PP's contacts instead. CB expressed this in an interview on 23.08.2006:

In fact, it was rather a network of PP and rather a friendship network to start with. These were people who wanted to invest in the project for friendship reasons, but they were also professionals. These were people who wanted to invest as it was PP who had asked them to, but they also brought on the one hand an expertise as a creator of a business, as two of them were entrepreneurs, and on the other hand those who brought advice about the management, the development, the way of advancing a company. (En fait, c'était là plutôt un réseau effectivement de PP et plutôt un réseau amical à la base. Des gens qui ont plutôt investi à titre amical mais en étant des professionnels. Des gens qui investissaient parce que c'était PP qui le leur demandait mais qui apportaient une expertise à la fois en tant que créateurs d'entreprise _puisque deux d'entre eux étaient des créateurs d'entreprise_ et qui pouvaient apporter aussi des conseils sur la gestion, le développement, la manière de faire avancer l'entreprise).

Friendship between his co-founder PP and the latter's network members was the key reason why people contributed to the entrepreneurial venture. Their advice was particularly valuable as some of them had created their own company.

Similar to PP and CB, MB and AL underlined the complementarity of their co-founders. The two graduates founded a venture together at an engineering Grande Ecole, MB is the Ancien from ESC and AL graduated from the same prestigious engineering Grande Ecole where they set up their venture. The two met at the latter. Their venture which emerged out of an entrepreneurial final year project has a significant technical focus. They started with an embryonic team, '*un embryon d'équipe*', yet soon recruited other members such as D as industrial director. Whereas D's strengths certainly lie in a rigorous methodology essential for the technical side of the business, MB's contribution derives from his marketing and commercial skills. In comparison, AL benefits from a large network which he has nurtured over time complemented by a natural inclination to manage budgets and people. AL outlined the different roles of each cofounder in the following extract:

This is somebody who is fantastic in terms of methodology, very rigorous, who thinks very quickly, this is somebody who sees the problems and knows how to anticipate them. And from a technical point of view we don't have the right to make mistakes as we are a young company, this is very important. Hence he has a key role. There is also MB who is Commercial Director. He has a commercial profile in the team. He has taught us everything there is to know about sales and purchasing. He has put in place all the necessary utensils, the Internet website, the brochures, the general sales conditions. Finally this is very diversified. He is also in charge of the communication. He has a good contact with the media. It was also him who organised the canvassing since the start and it does not work too badly. So typically without him we would not sell anything. He has a key position, too. And there is myself. Well I don't have much use, in fact! (C'est un mec qui est hyper brillant en termes de méthodologie, très rigoureux, qui réfléchit très vite, donc c'est quelqu'un qui va voir les problèmes et savoir les anticiper. Et ça, techniquement, vu qu'on n'a pas droit à l'erreur parce qu'on est une jeune société, c'est très important. Donc lui, il a vraiment un rôle clef également. Il y a MB qui est directeur commercial. Lui, c'est le seul avec un profil commercial dans l'équipe. Il nous a tout appris sur la vente et sur les achats. Il a mis en place les outils nécessaires, le site Internet, la plaquette, les conditions générales de vente. Enfin, très diversifié. Il dirige la communication également. Il a un bon contact avec les médias. C'est lui qui a organisé toute notre prospection depuis le début et là, ça marche plutôt pas mal. Donc, typiquement, sans lui on ne vendrait pas. Il a un poste clef également. Et il y a moi. Ça y est, j'ai tout dit, je ne sers à rien, en fait!).

RK: I cannot believe this! (Je ne pense pas!)

AL: Well, I was at the origin of the project. It was me who has driven the strategy from the start. Well I have a large network in many different fields as I also represent the company to the outside world. As president. Well I have nurtured a lot of contacts, friendships which are helpful to zigzag and navigate a bit in this milieu. I look after all financial aspects. I am in charge of the budgets. It is me who organises the human resources. So this is similar, this is a very important position... which corresponds well to what I want to do. Finally you see the profiles who are in charge of very different things and who, every one of them, have qualities that go well with their task. Thus we are very complementary. (Moi, j'étais quand même à l'origine du projet. C'est moi qui ai impulsé la stratégie depuis le départ. .. Enfin, qui ai beaucoup de réseaux dans tous les domaines parce que c'est moi qui représente l'entreprise en général à l'extérieur. En tant que président. Donc j'ai noué les contacts, les amitiés etc. qui vont bien pour zigzaguer et naviguer un peu dans ce milieu-là. Je m'occupe de tout l'aspect financier. C'est moi qui fais les budgets. C'est moi qui organise les ressources humaines également. Donc c'est pareil, j'ai un poste assez important..... et qui correspond bien à ce que j'avais envie de faire. Donc, finalement, là on voit qu'on a des profils qui font quand même des choses très différentes et qui ont chacun un peu les qualités qui vont bien avec leur mission. Donc c'est en cela qu'on est complémentaires (interview with AL on 17.08.2006).

As AL underlined, all three men are very complementary and the qualities of each person are in line with the individual tasks which constitutes the strength of the business.

Similar to these cases, SLB, who had founded an Internet-based venture selling male care products underlined the complementary nature of his relationship with his co-founder, which was very important for the success of the venture. He emphasised how difficult it would have been to create on his own, the fact that they were two made it much easier. As he elaborated further:

I insist, at the base you are really on your own. We were two. I think creating with a second person is good. On your own is complicated. Because there are important moments of desperation and doing it with somebody... Finally we are extremely, really complementary, this is very important and brings a lot to the venture. (Donc j'insiste. On est, à la base, assez seul. Nous, on l'a fait à deux. Je pense que c'est bien de le faire à deux. Seul, c'est compliqué. Parce qu'il y a des grands moments de désespoir et que le faire avec quelqu'un... Enfin, nous, on est extrêmement, vraiment complémentaires, donc c'est très important et ça apporte beaucoup) (interview with SLB on 24.11.2006).

When we were discussing the repertory grid SLB later identified the aspects MA, one of his friends and his co-founder CB had in common. He emphasised, in particular, the fact that these two men had a reassuring influence on him, giving him confidence in the project and him having confidence in their ideas. As he underlined in the interview:

SLB: They are reassuring. (Ils sont sécurisants).

RK: Reassuring, does this mean that they give you confidence? (Sécurisants, ça veut dire qu'ils vous donnent de la confiance?)

SLB: Yes, that's it. I have confidence in their ideas and they are... Well, that's it. Yes, I have confidence in their ideas. (Oui. Voilà. J'ai confiance en leurs idées et ils sont... Oui. Voilà. C'est plus ça. J'ai confiance en leurs idées) (interview with SLB on 24.11.2006).

These examples show that the entrepreneurs emphasised, in particular, the complementary nature of the relationship between the founders. They created together because they perceived a certain complementarity in terms of competences, professional experience, knowledge as well as an existing network, but also softer aspects such as being reassuring and encouraging trust and confidence in the other person. Furthermore there are factual reasons such as the need for finance or the need for a second person in order to fulfil a legal prerequisite for company creation. As the examples have shown, there are cases where one person may be more dominant in a relationship, at least in the initial stages of the venture, as in the case of PP, who had spotted the entrepreneurial idea, but also possessed a much more readily available professional and personal network to realise the entrepreneurial idea.

Having highlighted the contribution of the co-founder to the entrepreneurial project the remainder of this section will focus on different roles and contributions of other professional ties.

9.I.5 Former colleagues as triggers for the creation

The thematic analysis of the interviews highlighted that some entrepreneurs distinguished their ties according to the question as to whether they triggered or

promoted the creation, an aspect also reflected in the repertory grids 'élément déclencheur pour la création versus élément promoteur de développement' (see Appendix 6.3). To illustrate this aspect I am going to examine JMB's story more closely. Since JMB graduated from the ESC he started his career in Sports Marketing at the club CF where he stayed for 4 years, later he changed to work for the club P where he stayed another two years. The relationships he forged at club CF and P had a significant impact on the development of his career and the development of his entrepreneurial project. Key in JMB's network is JM. The two men met at the rugby club CF, JM was a professional player when JMB was working for the club as Marketing Manager. Later their professional relationship turned into friendship. JM became General Manager at the club CF, but the two men stayed in touch when JMB left to join the club P. As JMB recounted, JM was very decisive in JMB's decision to set up his own company, as the latter acts as a trigger to JMB's company creation. He actively promoted JMB's business idea to his colleagues. The prospect of a first contract with one of JM's contacts eventually pushed JMB into creating his own business. During the different phases of the start up JM stayed involved in a consultative role. Hence he was not only key for the actual creation but also instrumental for the development of the young venture as future clients such as the club L and A contacted the former to get a reference for JMB. At the time of the interview JMB described JM as a 'very very close friend'; JMB knows his wife and children. The following quote illustrates the relationship between the two men.

When I was employee at P and in the phase of reflection of my company creation, JM, at the club CL, needed a company with a sports marketing specialisation. He said: Well I know a company which has not yet been created but will be created soon. He rang me up and I wanted...I wanted to start my activity with the club CL thanks to JM who accelerated my process of creation. And it was also him who made me, for a certain period of time, work part-time for the club CL with JM, and part-time as employee for the club P. It was really his contacts which accelerated my creation and this is why my company started working for the club CL and it is for him that I quit the club P. OK? Hence a period of overlap. It was him, who knew that I wanted to create my own company, who contacted me before the company was even created. And out of a sudden this was the trigger. Well he was really important for the creation of the company. (Quand moi, j'étais à P, salarié et en phase de réflexion sur ma création d'entreprise, JM au sein du club de CL, a eu besoin de faire appel à une société extérieure de marketing du sport. Et lui, il a dit: "Moi, j'en connais une qui n'est pas créée mais qui va être créée." Il m'a appelé et c'est en voulant... en souhaitant démarrer l'activité avec le club de CL grâce à JM que j'ai accéléré mon processus de création d'entreprise. Et c'est aussi ça qui m'a obligé, pendant une certaine période, à travailler à moitié pour ma société pour le club de CL avec JM et à moitié en tant que salarié pour le club de P. Parce que c'est son contact à lui qui m'a fait accélérer ça et qui a fait que ma société a commencé à travailler pour le club de CL et pour JM avant même que, moi, j'aie quitté le club de P. D'accord? D'où cette période de chevauchement. C'est parce que lui, sachant que je souhaitais créer ma société, a fait appel à moi avant que ma société soit

créée. Et, du coup, ça a été l'élément déclencheur. Voilà. Donc lui, il a eu une importance sur la création de la société) (interview with JMB on 25.08.2006).

Similar to JMB, PL's former colleague, S, acts as a trigger for the entrepreneurial project. S and PL met when PL was still running his software company. PL employed S as a subcontractor. The latter later gives PL the opportunity to use his existing business model to set up a company. In return, S gets a certain percentage of the income generated per client. During my interview with PL on 22.09.2006 he described himself, however, as the '*seul décideur*' (the sole decision-maker) in the first phase of the venture, before LS, the co-founder, joined the venture. Whereas S remained involved in the first and second phase of the entrepreneurial venture his involvement declined from the launch of the business, i.e. from January 2005 onwards (see LS's phases' model in Appendix 6.2). As emerged from a telephone interview with PL on 10.4.2007 S joined forces with a third person and although there was an initial attempt to create a venture for the four men this was aborted in 2007 due to incompatible mentalities.

9.1.6 Former colleagues as role models encouraging learning

Similar to the importance of family ties as role models for the entrepreneur (see Chapter 7), the analysis of the professional ties identified a number of entrepreneurial cases where professional ties acted as role models. JT's former employer, for instance, inspired the entrepreneur with his ability to take risks, but also taught him what to avoid. It is interesting to see that JT has developed his own philosophy about how to manage people, he prefers a participatory management style which he contrasts with dictatorial management. The following quote illustrates this approach.

Well, yes, my former boss. In a positive and negative sense. There were some aspects that I copied from him and others that I did not want to do like him. (Oui. Mon ancien patron. En positif et en négatif. Il y a des choses que j'ai copiées sur lui et il y a des choses que j'ai voulu ne pas faire comme lui).

RK: *Such as for example? Was this when you were working for an industrial group? (Par exemple? Donc c'était dans ce groupe industriel?)*

JT: *Well, yes, I was Assistant General Director. There were also the company president and shareholders, the owner of the business. I found the positive side, the one that I wanted to do like him, was to know how to take risks. And that what I did not want to do like him, was I wanted a real team, with profound motivations, not just... I had a boss who thought in a fairly basic way: you are not happy? I give you more money. In reality it was more difficult than that. First because this approach has its limits. You cannot continuously give money to people. We earned a lot anyway. But you get to a stage where this stops. And this is when you realise that you need something else in your situation. And I am looking for this. I have a certain philosophy of life. I have a*

certain political philosophy too. I attach a lot of importance to work relations. I detest working with certain people who behave in a, I think I have a participatory management. Not a dictatorial management; I am not interested in this. I know how to do it but I don't like it. Shouting at somebody who is complaining: I am the boss, I tell you what to do, I don't fancy this. I prefer: Let's have a look, this is what I want to do and this is why I want to do it and how I suggest we can do it. How do you feel about it? I adore this. It is difficult, sometimes more difficult than saying, that's the way to do it. (Oui. J'étais directeur général adjoint. C'était le président et l'actionnaire aussi, le propriétaire de la société. Je l'ai trouvé... Le positif, donc ce que j'ai voulu faire comme lui, c'est savoir prendre des risques. Et ce que j'ai voulu ne pas faire comme lui, c'est m'entourer d'une vraie équipe, avec des motivations profondes, pas uniquement... J'avais un patron qui raisonnait un peu de façon basique: "Vous n'êtes pas heureux? Je vous donne plus d'argent." C'est beaucoup plus compliqué que ça. D'abord parce que ça, ça a ses limites. On ne peut pas tout le temps, éternellement, donner plus d'argent aux gens. On en gagnait beaucoup là-bas, donc... Mais, au bout d'un moment, ça atteignait sa limite. Et là, on s'apercevait qu'il fallait autre chose dans notre situation. Et moi, ici, ce que je cherche à faire, c'est ça. J'ai une philosophie de vie. J'ai une philosophie politique aussi. Ce qui fait que j'attache de l'importance aux relations dans le travail. J'ai détesté travailler avec certaines personnes qui se comportaient de façon... Moi, j'ai un management je pense d'adhésion. Pas un management dictatorial. Ça ne m'intéresse pas. Je sais le faire mais je n'aime pas ça. Donc pousser une gueulante en disant: "C'est moi le patron, j'ai dit que et on fait ça", ça me fait chier. En revanche... "Voilà ce que je veux faire et voilà pourquoi je veux le faire et voilà comment je vous propose qu'on le fasse. Qu'en pensez-vous?" J'adore faire ça. Alors, c'est dur. Parfois c'est plus dur que de dire, on le fait (interview with JT on 21.11.2006)

Different from JT, AL, identified the companies in his immediate proximity, i.e. in the incubator, as his role model. AL explained as follows:

The people who went into the incubator before us. These are people who have guided us a lot in our approach. The people who are in the office next to us in the incubator. These are entrepreneurs who are, one year, one year and a half ahead of us, and who have helped us a lot on a number of aspects. Simply by sharing their experience. After that there are those companies which have already left the incubator a year or two ago, which we have contacted and whom we knew already and who have advised us on all types of questions, all kinds of interrogations. We called them and they were there, somehow. (Oui. Eh bien les gens qui sont passés avant nous à l'incubateur. C'est des gens qui nous ont beaucoup guidés dans notre démarche. Les gens qui sont à côté de nous dans l'incubateur. Ce sont des entrepreneurs qui avaient un an, un an et demi d'avance sur nous et qui nous ont énormément aidés sur plein d'aspects. Simplement en partageant leur expérience. Après, il y a des entreprises qui sont parties de l'incubateur il y a un an, il y a deux ans, qu'on a contactées et qu'on connaissait déjà et qui nous ont conseillés, enfin, pour tout type de question, tout type d'interrogation. On les appelait et ils étaient là, quoi) (interview with AL on 17.07.2006)

AL distinguished between three types of companies; i.e. those next door to him in the incubator, which acted as a guide to the young entrepreneur, and those one year ahead of them in their project who had a lot of experience to share. In addition, there were also those companies that had already left the incubator already and whom AL had also been in touch with.

Asking AL to be more specific about the advice obtained from company E, for instance, he expanded:

They helped us in all different aspects. This could be looking for subsidies, for instance, where they have really helped us. This could refer to the statutes, the shareholder contracts, team building and recruitment. Also the financial aspects. When I have a problem, even today, when I need a reimbursement of VAT credit, I will see F from E and he will tell me: Yes, this is like this, this is like that. There is company E and other companies. All the companies created by Anciens from Centrale de Paris. (Ils nous ont aidés dans tous les domaines, que ce soit. Ça pouvait être la recherche de subventions, par exemple, où ils nous ont bien aidés. Ça peut être tout ce qui est statuts, pacte d'actionnaires, équipes, recrutement. Ça peut être l'aspect financier. Quand j'ai un problème, je ne sais pas, même encore aujourd'hui, je demande un remboursement de crédit de TVA, je vais voir F d'E et il me dit: "Ah oui. C'est comme ci, c'est comme ça." Il y a E et il y a d'autres entreprises. Toutes les anciennes entreprises centraliennes créées par les anciens d'ici) (interview with AL on 17.08.2006).

It is very interesting to follow AL's train of thought as it becomes clear that the proximity to companies such as E plays a significant role as AL and his co-founder MB can observe and learn from ventures founded by other Anciens at the engineering school. The proximity makes it possible to share experiences, as he underlined. Advice is plentiful available on virtually any aspect relevant to the creation, including the financial side, the contractual side and human relations management issues. He also stressed, similar to R earlier (see section 7.6.1 and 8.10), that he could simply ring up these ties and they would be available.

Equally interesting in this context is R's comment which illustrates the important role of professional ties as being '*très formateurs*'; R learned a lot from these professional ties, he made, in particular, reference to former employers or former colleagues during the interview with me. Asking R what he could learn from these people, he expanded:

A way of managing teams. A proactive attitude. Being enterprising, above all. An open mind. Methods of work. (Une manière de manager les équipes. Une attitude proactive. Entreprenante, justement. Une ouverture d'esprit. Des méthodes de travail) (interview with R on 21.11.2006).

Among the professional ties R referred to were, in particular, his employer (A) who worked for an SME where R spent his internship. R found him very enterprising, albeit he was not an entrepreneur himself. The men stayed in touch, as they understood each other well, '*parce qu'on s'était bien entendus.*'

Asking R to be more specific about this professional contact R illustrated explained:

I am thinking of somebody who is very enterprising, a former employer, who is very enterprising, an entrepreneur...but I did not present my project to him in advance. We did not talk before. But he has told me about his projects and that was a source of inspiration to see the projects of other people, their success, their way of organising themselves, their ambitions. Thus he brought (Je pense à une personne qui a un côté très

entreprenant, donc un ancien chef qui a un côté très entreprenant, entrepreneur... mais je ne lui ai pas présenté mon projet en amont. On n'a pas échangé en amont. Mais lui me parle de ses projets et c'est une source d'inspiration aussi de voir les projets des autres, leurs succès, leur manière de s'organiser, leur ambition aussi. Donc lui, à ce niveau-là, a apporté...)

RK: *His experience?* ... (son expérience?)

R: *Exactly. His contribution. But more precisely with regard to my project that was rather afterwards. I told him about the project once I had decided upon the sector of the activity.* (Voilà. Sa contribution. Mais, concrètement, par rapport à mon projet, c'est plus en aval. Je lui ai parlé du projet une fois que le choix du secteur d'activité était fait etc.)

RK: *So you did not talk to him before launching the venture?* Vous n'avez pas parlé avec lui avant de vous lancer?

R: *Only in a general way, about the details no.* (Sur ma démarche globale, oui. Mais sur les détails, non).

In line with the analysis in Chapter 6 where I illustrated that R's way of creating a company was very solitary and he did not involve many people apart from his family and wife as an emotional support, his professional tie (A) gets only involved in the project once the idea has been born already. As R emphasised, they did not talk before; A was, however, a source of inspiration as he could share his own experience with the young entrepreneur. This allowed R to learn about his successes and failures as well as different methods, organisation and ambitions.

9.I.7 Former colleagues as entrepreneurs identifying with the entrepreneur

As the analysis has shown, former colleagues who happen to be entrepreneurs themselves tend to identify with the individual who is in the process of setting up a business. This aspect touches upon the cognitive dimension which I will discuss further in Chapter 10. Hence no further attention will be given to this aspect in this Chapter, but I acknowledge the interrelatedness of both the relational and cognitive dimension of social capital.

9.I.8 Former colleagues/employer/Anciens as first clients and as gateway to potential clients

In line with Anderson et al. (2007) who suggest that professional contacts may lead to first contracts, NF's former employer, S, is of importance to the entrepreneurial venture as he later became NF's first client. As NF underlined, the contract with company C, a major international supermarket chain, which he obtained thanks to his friend E and the second contract which was made possible by his former employer, paved the way to get the business off the ground. As NF explained further on 01.03.2006,

NF: *My second contract was with PS, it was in particular S, my former employer. He made me work for him. My first two contracts. It is really those two first contracts why I created my business.* (Mon deuxième contrat c'était avec Pinnacle Systems, d'accord, donc là c'est Serge, mon ancien patron. Il m'a fait travaillé. Mes deux premiers contrats. Et c'est grâce à ces deux premiers contrats que j'ai créé l'entreprise).

Showing his analytical skills, BS categorised his former colleagues into either 'apporteurs d'affaires', i.e. somebody who brings in business, or 'prescripteur', those who are decision-makers and have the decision-making power to employ him. Both types of ties are potential clients for his newly created banking consultancy. In general, these people are former colleagues such as Y and T with whom he worked at company AA.

R also identified Anciens as potential clients for his products. In effect, he distinguished between two types of Anciens; those with the potential of becoming future clients and those whose value rather lies in the valuable information they can provide about *how* they created their own business. He used the Anciens to learn from their experience. As he remembered during the interview:

Yes, I think it was very positive, the exchange, the discussion at this level. After that we are onto very specific markets which not everyone knows about. Well, it is very interesting if the person who you contact, is a potential client. You tell yourself that maybe he could become a client, from a value point of view. On the other hand, the opinion of somebody who does not know your sector of activity and who has no potential of becoming a client can be of value but rather with regard to other aspects, at other levels. For instance regarding the way they are organised, how they created their business, but this is a different level, I think. (Oui. Je pense que c'était positif, l'échange, la discussion, à ce niveau-là. Après, on est sur des marchés tellement spécifiques que tout le monde ne peut pas connaître tous les marchés. Bon, c'est intéressant quand la personne que l'on contacte est un client potentiel. On se dit qu'on pourrait éventuellement l'avoir comme client, donc son point de vue a vraiment beaucoup de valeur. Maintenant, le point de vue d'une personne qui ne connaît pas le secteur dans lequel on est et qui ne peut pas être un client potentiel, il peut avoir de la valeur mais sur d'autres aspects, à d'autres niveaux. Comme, par exemple, comment eux se sont organisés, comment eux ont monté leur société etc. Mais c'est à un autre niveau, je trouve) (interview on 21.11.2006)

Being asked why he took the yearbook to contact Anciens, R explained that he had the choice to search by certain criteria such as age, the type of company they had worked for, the sector of activity, the size, which clearly facilitated his search. To the question of whether the network of the Anciens gave him confidence R responded positively, yet he cautioned that this aspect needed to be treated with prudence. The underlying reason was a bad experience he had had with one Ancien. This person discredited himself completely as he did not stand by his word and did not fulfil certain commitments, an aspect I will come back to this in Chapter 10. R emphasised in particular the role of the

Anciens as door openers and the fact that everybody accepted this particular route of entry.

Let's say, it is an entry door which is globally accepted by everybody and which is convenient. But there is one aspect that needs to be dealt with carefully and that is the aspect of validation (Disons que c'est une porte d'entrée qui est globalement acceptée par les gens et qui est commode. Et puis il peut y avoir un aspect mais à prendre avec précaution, c'est l'aspect validation).

Similarly, E used MLT, the head of the Association of the Anciens at the ESC, as door opener to promote her restaurant in Paris. As E underlined in our interview, she expected some support for her entrepreneurial project but not to the extent that MLT offered.

E: *Well yes, people from the school have been here. I had already contacted MLT, who supported me well. In terms of her involvement in the project I would put 4. At least even 4.5.* (On a eu des gens. Oui, oui. On a eu des gens de l'école. Déjà, moi, j'avais contacté MLT qui a été un bon soutien. A elle, je lui mets quatre. Au moins. Quatre et demi).

RK: *In which phase?* (Dans quelle phase?)

E: *In phase 4, for the launch, in any case I had never contacted her before.* (Elle, c'est dans la phase quatre. Après l'ouverture. De toute façon je ne l'avais pas contactée avant).

RK : *Why did you contact her?* (Pourquoi est-ce que vous l'avez contactée?)

E: *Because I knew this could be useful.* (Parce que je savais que ça pouvait m'être utile).

RK : OK: *To do some marketing?* (Pour faire un peu de marketing?)

Emmanuelle : *Yes, to tell... And I found her nice. If you are looking after the Anciens (like she does) it is nice when people ring you up to tell you: I have something here, something a bit special.* (Oui. Pour dire... Et puis je trouve ça sympa. Quand vous vous occupez des anciens, je pense que c'est sympa que les gens vous appellent pour vous dire: "Bien voilà, je fais un truc un peu... qui sort un peu de l'ordinaire).

E: *...But I would lie if I did not tell you that when I actually rang her, I hoped that she could talk a bit about me in her newsletter or do I don't know what. I was not looking for support. I did not expect her to support me as she did. She was really fantastic. I really appreciated this. She published an article with a big picture in the 'Planétaire'. This was really great. I thought that she would talk a bit about me but I did not imagine her to go so far.* (Mais c'est vrai que je mentirais si je ne vous disais pas que, le jour où je lui ai parlé, j'espérais qu'elle puisse parler de moi un petit peu dans sa newsletter ou je ne sais pas quoi. J'espérais pas un soutien... Je pensais vraiment pas qu'elle me soutiendrait comme elle m'a soutenue. Là, elle a vraiment été super. Je suis extrêmement reconnaissante. Parce que j'ai quand même eu, dans le dernier "Planétaire", un article avec une grande photo comme ça. C'est vraiment sympa. Je pensais qu'elle parlerait un peu de moi mais je n'imaginai pas que ça irait jusque-là).

Different from these cases YC found that his former business contacts found it difficult to accept his new role as entrepreneur, they still saw him as a 'corporate person' and hence hesitated to place any orders with him. I discussed YC's case in more detail in Chapter 7.8.1

This section has highlighted the importance of the Anciens and the association of the Anciens for the development to the entrepreneurial project, both during the start-up, but also at the launch.

9.1.9 Professional ties, also Anciens, acting as bridges

Similar to Chapters 7 and 8 where I highlighted that family and friendship ties would connect the entrepreneur with hitherto unconnected clusters of people who could offer competences or contacts for the fledgling venture, a close examination of the different cases has also confirmed the importance of professional ties as a bridge to new clusters of contacts. In CB and PP's entrepreneurial project the latter involved OT, an accountant and Ancien, in his entrepreneurial project. Through him the two entrepreneurs found a legal adviser who helped to get the company off the ground.

A further example is NF's colleague O who originally was his supplier when the former was still with company P. O was instrumental in providing another client to the business that was about to be created. It was one of the first films NF created for company NC.

A third example is R who is also a member of the Association of Anciens at the ESC Rouen. He contacted MLT, the head of the organisation, when he was in the process of setting up his business. Asking for MLT's contribution to his entrepreneurial project R responded:

Let's say the association was a door opener via MLT. She did not give me any advice. She provided access to contacts who then could advise me. (Disons que l'association a été une porte d'entrée via MLT. Maintenant, elle n'a pas donné de conseils. Enfin, elle a donné des contacts qui eux-mêmes ont donné lieu à des conseils) (interview with R on 21.11.2006).

From R's comment we can see that MLT had a very important role as a door opener for the fledgling entrepreneur. Whereas she could not advise on details relating to his project she gave, however, access to important contacts who could then provide the needed information and assistance. MLT acted as a bridge over structural holes between the entrepreneur and unknown, but potentially valuable, clusters of other Anciens.

We also find a similar role for the professor (AM) who acted as a bridge connecting MB and AL, the two entrepreneurial graduates. However, AM did not only connect the two

students with similar interests; his name also opened doors in the field. Even at the prestigious laboratory INRA which AL and MB contacted to get their assistance for their entrepreneurial project AM's name had a lasting effect on people. AL even talked about '*a cascade*', a metaphor suggesting a snowball effect, with one event leading to another. As AL described the situation:

Well, the professor. Yes, yes he has opened quite a few doors for us in the technical field. These are people who have connected us with others, who have linked us with other people. Thus this is really a nice cascade. With his name which has opened quite a few doors for us, we have to say. Even at INRA they had heard about him. Thus we did not arrive without... We did not start at zero, somehow. We came from Centrale, that was not bad. And AM, who has a well known name in the field, even if he does not work in particularly this field. (Le prof. Oui, lui, nous a ouvert pas mal de portes dans le domaine technique. Donc des gens qui nous ont amenés vers d'autres gens, qui nous ont amenés vers d'autres gens etc. Donc c'est vraiment une belle cascade sympathique. Avec son nom qui nous a ouvert pas mal de portes quand même, il faut le dire. Même à l'INRA ils en avaient déjà entendu parler etc. Donc on n'arrivait pas non plus... On ne débarquait pas de nulle part, quoi. On était école Centrale, donc ça, c'est pas mal. Et AM, qui est un nom un peu connu dans ce domaine-là, même s'il n'a pas bossé particulièrement sur ce sujet).

A further aspect that emerges from AL's comment is the importance of belonging to a well known engineering Grande Ecole. The two students belong to Centrale, which opened doors. The fact that they were working with the professor AM added to the credibility of their project.

Similarly, an Ancien (S) was key in E's entrepreneurial project as he created the contact between the entrepreneur and a wine specialist (JMD). S was at the time working for company G where he met the wife of JMD who was working at the Ritz in Paris. E contacted the latter and he put her in contact with the right people and later accepted to be used as reference on her wine list and in guide books. JMD was very important for E's entrepreneurial project, which was to create a restaurant in the heart of Paris. Given that France's wine culture is renowned a well known wine specialist such as JMD is essential to add credibility and legitimacy to a fledgling venture like E's. As E explained in more detail:

If you want to know the whole story about the network. S worked for company G and that is where he met a woman whose husband was, at the time, Head Wine Specialist in the Ritz. And this person accepted to write our wine card. In fact, he helped us to find... First of all he put us in contact with intermediaries such as producers. And then he accepted to put his name on our wine list and even on the guides, we could say that our wine list was put together by Monsieur X. This person is somebody, everybody knows him. He is extremely well known. (Si vous voulez savoir toute l'histoire de ce réseau-là. S travaillait chez G et chez G il a fait la connaissance d'une femme dont le mari à l'époque était je crois Chef-Sommelier du RITZ). Et donc ce monsieur a accepté de nous faire la carte des vins. En fait, de nous

aider à trouver des... Il nous a d'abord mis en contact avec des... avec soit des négociants soit des producteurs etc. Et puis il a aussi accepté qu'on mette son nom sur notre carte des vins et que même dans les guides on dit que notre carte est fait par ce Monsieur . Ce monsieur, c'est un monsieur qui est, tout le monde le connaît. C'est le loup blanc). (interview with E on 06.07.2006).

As a further comment illustrates, it was very comforting for E to know that regardless of the price of any of the wines on offer in her restaurant, she could trust that they would be good. JMD's judgement gives the entrepreneur peace of mind. The metaphor '*JMD est le vin*' underlines his expertise in the field. In particular in a fledgling venture legitimacy is essential (Stinchcombe 1965) and JMD was key in helping to obtain this legitimacy. The following comment illustrates the situation:

E: JMD is really the wine, how can I say it, it is him who guarantees the quality of our wine card. He has brought us legitimacy; this means that already in terms of wine we are serious as we needed legitimacy as we started. In the articles about us we were two young managers coming from industry who were opening a restaurant. (Lui JMD, lui c'est le vin comment on peut dire, c'est lui qui garantit la qualité de notre carte des vins. Lui ce qu'il nous apporte Jean-Michel c'est la légitimité, c'est à dire que déjà du côté des vins on est sérieux parce que ça on avait besoin de légitimité puisque ça quand même, on débarquait, dans les articles c'était 2 jeunes cadres etc...de l'industrie qui montent leur restaurant) (interview with E on 06.07.2006).

E expanded further on her relationship with JMD:

On the one hand JMD offered us his professional support but also on the other hand within the framework of a friendship the relationship within him, I would say, is of a rather personal nature, but the support is professional. Professional within the framework of a personal relationship. (De l'autre côté JMD à la fois nous offre son soutien professionnel mais dans le cadre d'une amitié donc effectivement le lien est je dirais plutôt personnel mais le soutien est professionnel. Professionnel dans le cadre d'un lien personnel) (interview with E on 06.07.2006).

E continued:

Because it was the fact alone that we could put his name. The biggest help was to know that our wines, either at 15 or 60 Euros, were good. Obviously, a wine at 60 is not of the same as one at 15 Euros. But this does not keep you from saying: I don't want to spend more than 20 Euros, and you would have a wine which would be really good for this price. Already this...this... this comfort, I would say. Well sometimes he also put us in contact with people directly or I was contacted directly. Having this comfort. And then for us the fact to say that we work with him, this has opened...when you are talking with somebody from the same milieu and you tell him that it is JMD who helped you put together the wine list... (Parce que, déjà, rien que le fait de mettre son nom... La plus grosse aide, c'est de savoir que nos vins, qu'ils soient à 15 euros ou à 60 euros, on sait que nos vins sont bons. Evidemment, un vin à 60 euros, c'est pas pareil qu'un vin à 15 euros. Mais n'empêche que quelqu'un qui va dire: "Moi, je veux pas dépenser plus que 20 euros", eh bien il aura un vin qui sera vachement bien pour ce prix-là. Déjà, c'est le... Cette... Ce confort, quoi, de se dire: "Bon." Donc parfois c'est lui qui nous met en contact avec des gens ou bien si, moi, je suis contactée directement. Déjà ce confort là. Et puis, pour nous, le fait de dire qu'on travaille avec lui, ça nous ouvre...quand on parle avec quelqu'un qui travaille dans ce milieu là et qu'on dit voilà c'est Jean-Michel DELUC qui nous aide à faire la carte des vins).

RK: *This has opened doors for you?* (Ca vous ouvre des portes?)

E: *Yes, this has easily opened doors for us.* (Oui, ça nous ouvre des portes facilement).

E's relationship with JMD is a good example of a professional tie developing a multiplex nature. The professional tie slowly develops a friendship aspect, which is very similar to some of the relationships I have discussed throughout this part of the Chapter (see for instance YC, NF and JMB).

In this section I have discussed professional ties related to the EHC which trigger a chain reaction with positive effects for the entrepreneurial project. Professional ties are important as bridges, but also help to obtain legitimacy, credibility, clients, act as door openers and provide peace of mind.

The following section focuses on the competences provided by the professional ties.

9.I.10 Former colleagues sought after for their competences

9.I.10.1 Technical versus commercial

A certain number of entrepreneurs such as NF, SLB, AL and MB and GK set up projects which needed significant technical input. From the analysis of the interview transcripts we can see that these entrepreneurs tend to involve people with technical competences in the different stages of the venture creation process. In fact, as I highlighted in Chapter 6, NF had even subdivided his network members into those ties important for the marketing part and those key for the technical side of his entrepreneurial project. This distinction was important enough for NF to integrate it in his repertory grid (see Appendix 6.3). A closer inspection of these ties shows that in particular professional ties belonging to NF's human capital, i.e. a former colleague PP, whose competences related to the running of an agency, were particularly appreciated by NF. PP scored 4 out of 5 in NF's evaluation (For NF's grid see Appendix 6.3).

Technical competences of his network ties are also important for GK's entrepreneurial project. GK involves a number of former colleagues such as ST from GK's time at the company VP. ST is engineer by profession. In the interview with GK on 06.07.2006 we were negotiating the repertory grid and the entrepreneur compared ST with Ant, a friend from GK's time at the ESC who also happened to be an entrepreneur. The two men do not know each other, in fact they have never met. GK explained the commonalities between the two in more detail in the following extract:

ST and Ant have the same age. ST is an engineer, Ant is manager. They have in common that they are good guys, rather nice, very simple people, intelligent, with an open mind. That's all. Simple people who are able to comprehend elaborate concepts, the finesse of a commercial relationship. Beyond this it would be difficult for ST. As all engineers he has a tendency to think in a mechanistic way. When you explain it to him he is capable to go beyond. For Ant it is the same, he is a very good manager, when you explain him the technique, he understands the gains in productivity that could be achieved. (ST et Ant ont le même âge. ST est ingénieur, Ant gestionnaire. En commun, ils sont tous les deux assez bonhommes, plutôt sympathiques, des gens simples, intelligents, ouverts d'esprit. C'est tout. Gens simples, c'est à dire capables de comprendre des concepts élaborés, la finesse d'une relation commerciale. Aller au delà pour ST, ce n'est pas facile pour lui. Comme tout ingénieur, il a tendance à raisonner les choses de façon mécanique. Quand on lui explique, il est capable d'aller au delà. Pour Ant c'est la même chose, il est très bon gestionnaire, quand on lui explique la technique, il comprend les gains de productivité qui lui sont associés) (interview with GK on 06.06.2006).

Apart from being nice guys and able to understand elaborate concepts and a commercial relationship, GK succinctly identified the weakness of ST. He, like many engineers, tends to think in a mechanistic way. He needs help, like Ant, if he wants to go beyond this. ST is very 'operational', whereas Ch, GK's father-in-law not at all. Instead, CH has the capacity to make people do things, '*il est dans la capacité de faire faire*', St and Ant are rather capable of doing things, i.e. '*dans la capacité à faire*' which basically highlights the difference between managing people and having them do the work and doing it yourself, an aspect that was later integrated in GK's repertory grid (see Appendix 6.3). As GK emphasised:

Yes, he is very operational. And Ch not at all. He, in fact, he does not act...He does not do anything himself. He is really... He is in the capacity of making people do things and the other two (ST and Ant) are in the capacity of doing things. In fact, J won't describe a future organisation. You tell him what future organisation you want and he will put it into place. (Oui. Très. Très opérationnel. Et Christian ne l'est plus du tout. Lui, en fait, il n'agit... Enfin, il n'agit plus du tout par lui-même. Il est vraiment... Lui, il est dans la capacité à faire faire et eux deux sont dans la capacité à faire. En fait, J, il ne décrit pas une organisation future. On lui dit quelle sera l'organisation future et il la met en place) (interview with GK on 26.07.2006).

GK further expanded on this issue when talking about J, a former colleague, whom he employed on a mission. Whereas he appreciates J's technical competences GK has a very realistic assessment about J's knowledge or rather lack of knowledge of economics.

With ST, it depends. I would say, at the moment, that he is very capable in terms of technical aspects, but not economic. J. is not capable at all. (Alors, St, ça depend. Donc je vais dire plutôt pour l'instant qu'il est très capable pour les aspects techniques mais pas du tout capable pour les aspects économiques. J, alors, il n'est pas du tout capable.

RK: *How does this concept work with ST?* (Ca va bien avec ST?)

GK: *This works really well with his extremely operational side, he is not managerial at all.* (Oui. Ça va bien aussi surtout avec son côté extrêmement opérationnel, pas du tout manager).

Similar to GK, SLB perceives people in terms of either offering technical or reassuring aspects. He integrated these contrasting concepts in his repertory grid. He himself and his co-founder ranked 3 in the grid, they both combine a mix of the two aspects. In comparison, N, the Webmaster, is characterised by his technical competences and was ranked 5 (for SLB's repertory grid see Appendix 6.3).

Further to these examples MB contrasts 'managerial with scientific competences'. He compared and contrasted the professor who had connected the two founders, with F, a fellow student who had studied with MB and Ant, one of MB's friends. Asking what F and the professor had in common, MB identified F's competences in commerce and management. F is a Grande Ecole graduate, the professor runs a laboratory at the engineering school in Paris. MB concluded:

She has rather competences of a management school and he has scientific competences. (Elle a plutôt des compétences d'Ecole de commerce, de gestion et lui a plutôt des compétences scientifiques).

Comparing these two people with Ant, MB suggested the following:

Well, he has competences in management. He is very entrepreneurial. He is 26 years old and he has already created two or three companies. He envisages his future as an entrepreneur. Conversely, F does not envisage being an entrepreneur, she eventually would like to take part in creating a company but in a financial way, she wants to invest a bit of money, but not create, this is too risky. (Lui a des compétences de gestion. Lui est très entrepreneur. Il a 26 ans, il a déjà créé deux ou trois sociétés. Il envisage son avenir professionnel en tant qu'entrepreneur ; A l'inverse Frédérique ne s'envisage pas trop en tant qu'entrepreneur, elle souhaitait éventuellement prendre part à une création d'entreprise mais financier en mettant un petit peu d'argent mais pas créé ; c'était trop tôt, trop de risques).

Given that MB's and Al's entrepreneurial project contained a substantial technical part, it was extremely important to build a team providing the necessary competences. The following extract from the interview with MB illustrates the situation:

Each person brought certain competences (to the project). There were three people who brought engineering competences, these were D, S and A, then there were three people who had management competences; these were A, F and myself and somebody else who supervised the legal part, the legislation. At the time he was working on a thesis with focus on environmental law. (Chaque personne amenait des compétences. Il y avait 3 personnes qui apportaient des compétences d'ingénieur, c'était D, S et AL; ensuite, 3 personnes qui apportaient des compétences de gestionnaire, c'était Anthony, Frédérique et moi-même et une qui avait plus un regard sur la partie juridique, la législation. A l'époque il faisait une thèse sur tout ce qui était droit environnement) (interview with MB on 02.03.2006).

Due to the mixed nature of the entrepreneurial project the co-founders needed individuals who could complement the existing skills base. Thus they were looking for complementary competences in management and science. Later F, JE and Ant left the project to pursue their own projects and after their departure MB and AL recruited S, a specialist in biology (see part II of this Chapter).

9.I.10.2 Offering marketing competences

Apart from technical competences which were clearly key for some creations the analysis of the cases showed that ties with marketing competences were also sought after. E, for instance, involved an Ancien who helped her and JT on the marketing side. As SL was working freelance at the time he had no problem giving time to the entrepreneurial project. SL had a major role in putting together the business plan after they had conducted a market study. They saw him once a week for systematic meetings. For the financial side, however, they did not need any help, given that the co-founder was a financial expert himself. As E explained further on 06.07.2006

He had done much marketing, but then at the time he was working more or less freelance for a company or two. So he had time to give to the project, he helped us write the business plan after the market study, let's say. On the financial side we were autonomous SL helped us on the marketing side, with the focus really on...the marketing mix, in fact. To arrive at a coherent marketing mix, which would be really....

(qui a fait beaucoup de marketing. Donc là, maintenant, il travaille plus ou moins en free lance pour une boîte ou 2 . Donc, il avait du temps à nous consacrer, il nous a aidé en fait à monter notre business-plan après notre étude de marché, on va dire. Parce que la partie financière, ça, on était assez autonomes. Stéphane nous a aidé avec lui la partie marketing, avec la réflexion vraiment sur... Mettre au point le marketing mixte, en fait. Arriver à un marketing mixte cohérent, ce qui est vraiment..).

RK: *Ok, this means that his involvement was important for the project. (D'accord, donc son implication était assez importante).*

E: *On se voyait une fois par semaine. (We saw each other once a week). (interview with E on 06.07.2006).*

Similar to E, PP involved a number of friends who also happened to be Anciens, in his entrepreneurial project. There is, for instance, XD who was running a public relations agency. PP and XD have known each other for a long time as the former underlined in an interview on 06.11.2006. XD later took a share in the capital of the business. As he explained:

There was a friend from my time at the ESC who had a public relations agency and who supported us a lot, who took a share in the capital of the company and with whom we conducted the tests and who helped us to develop the packaging, who was a real support in the phase of the launch. (Je vous ai dit que j'avais donc un ami de ma promotion de l'ESC qui avait cette agence de publicité et qui nous a beaucoup soutenus, qui a pris une part dans le

capital de la société et chez qui on a fait les tests et qui nous a aidés pour le développement des packagings, qui a été vraiment un soutien fort au lancement).

Asking him to give more detailed information about XD, PP responded:

I have always known him and I have appreciated his way of working. As a Marketing Director (at S) I confided him the budget of the brand ST and his publicity agency managed the budgets for the company I worked for. (Je l'ai toujours connu et j'appréciais tout à fait sa façon de travailler. Donc, en tant que directeur marketing, je lui ai confié le budget de la marque St. Donc son agence de publicité gérait un des budgets de la société où je travaillais).

Given XD's expertise in marketing he became actively involved in the fledgling venture running consumer tests with PP and CB and he also helped to develop the packaging side of the business. In addition, coming from outside the business he had an important role validating the business idea, which is very similar to YC who, once he had finished his business plan, asked his former professional ties for its validation.

Apart from technical and marketing competences entrepreneurs involved ties for their knowledge in accounting, law and finance. PP involved another friend, also an Ancien, OT, as an external auditor to the business. This person is still with the company 17 years after the creation in 1990! His role was to assure that the accounts were in order, hence it was really his accounting competences that were of great use for PP and his business. Similarly, GK involved former colleagues to provide legal and financial advice. As he explained in an interview on 06.07.2006, people worked sporadically for him, occasionally on specific missions:

In parallel, I had some people with whom I worked in other situations working on legal and financial aspects. These were lawyers specialising in telecommunications who I had recruited at company A with whom I had a good relationship. I also had some friends with whom I had studied law who worked for me occasionally. In a wider sense I knew a lot of people in the telecom sector, operators, fix and mobile, service providers. (Parallèlement j'ai fait travailler sur les aspects juridiques et financiers des gens avec lesquels j'avait déjà travaillé dans d'autres situations, des juristes spécialisés télécoms que j'ai recrutés chez AOL, avec lesquels je m'entendais bien. J'ai des copains du temps où je faisais du droit qui travaillent pour moi épisodiquement. Au sens large, je connais beaucoup de gens dans les télécoms, fixes ou mobiles, fournisseurs de services).

This section has underlined the importance of professional ties related to the EHC in providing the necessary competences, technical and commercial, throughout the different phases of the start-up.

9.I.10.3 Professional ties offering external validation

Section 9.I.10.2 has already highlighted the importance of professional ties in validating the entrepreneurial project. I would like to further illustrate this aspect with reference to PP's case. In an interview with PP on 06.11.2006 I asked the entrepreneur to clarify XD's involvement in the entrepreneurial project. XD is an Ancien. CB responded:

In particular in the validation of the idea. He helped us with the consumer round tables. We had his feedback for all the studies that concerned the packaging. It is true that has helped us a lot. This was a very interesting support for us. He came from the outside. He was very present during the meetings. We saw each other once a month. We kept him informed, told him what was happening and how we were getting on. (Sur toute la validation de l'idée il a été très présent. Il a assisté avec nous aux tables rondes de consommatrices. Pour toutes les études de packaging, on avait son feed-back. C'est vrai qu'il nous a aidés. C'était un appui intéressant pour nous. Il intervenait de l'extérieur. Il était présent avec, je dirais, des réunions. On devait le voir une fois par mois à peu près. On le tenait au courant de ce qu'il se passait, comment on marchait, où est-ce qu'on était...)

XD was later invited to join PP's company's Board of Director, i.e. 'conseil d'administration', as an external adviser. To summarise XD's involvement in the project, PP emphasised:

He has really helped us, he has not carried us but pushed us from the start. And when we launched the business, he observed. But he was always present. (Il nous a vraiment aidés, pas portés mais poussés au début. Et quand on s'est lancés, là il a regardé).

The aspect of external validation through professional ties also plays a role in YC's entrepreneurial project. Whereas YC's entrepreneurial project has been marked by very little involvement of family and friends and has been a very solitary affair, as illustrated in Chapter 6, once he had finished his business plan he sought advice from his three friends. He recalled their reaction:

They all thought that the business plan was well done. It is my job, thus I know how to do it. They were really impressed by... in a general way. Because there are many people who start like this, but I had really thought about it... (Ils ont tous trouvé que le business plan était très bien fait! C'est mon métier, alors je sais faire ça! Ils étaient très impressionnés par a... D'une façon générale. Parce que beaucoup de gens, quand ils commencent, comme ça... Mais là, j'ai bien réfléchi, donc...) (Interview with YC on 29.01.2007)

Similar to YC who appreciated the opinion of professional ties related to his HC, R gets in touch with Anciens, who have set up their own business. In particular he referred to the company director M, who works in Paris, whom he found in the yearbook of the Anciens. Asked why he contacted this person, R responded:

To validate my idea. (Pour valider mon idée concrètement) (interview with R on 21.11.2006).

These cases have highlighted the importance of professional ties in offering external validation of the entrepreneurial idea and the project, an aspect that distinguishes these ties from family and friendship ties. I will shed further light on the aspect of external validation in section 9.II.

9.I.10.4 Professional ties/Anciens offering detachment

Closely related to the idea of external validation is the notion of detachment. R's case illustrates this aspect. He identified informal contacts, who are primarily Anciens, as an important group to liaise with throughout the different stages of the venture. As he highlighted in the interview on 21.11.2006, he nurtured links with this group mainly for professional purposes. One of the key issues that emerged from the discussion of the people involved in R's network is the idea of detachment, both of an emotional and commercial nature. For the purpose of establishing the repertory grid I had asked R to compare and contrast the informal contacts with his family and his lawyer C. To my question what these parties had in common, he responded:

R: The informal contacts? This depends on the different contacts but they have a detachment which can be variable, generally, I would say a detachment with view to the project which allows advice which is not biased by dependence. Yes, this is very different from my family and this is very different from C as C has an interest in selling certain services to me. And with my family I have an emotional link which is very strong and which makes it their point of view is not always objective. There are two levels. There are an emotional detachment and a detachment in terms of integrity in the sense that a service provider could eventually orientate his advice in such a way that he would sell his advice later. The family is different from this. They have all interest ... they have a complete detachment regarding the financial aspect. And the informal contacts, they are rather intermediary. And if you take the aspect of detachment which is more or less strong at an emotional level, the detachment is very strong at the level of the service provider or informal contacts, which contrasts with a very strong emotional attachment on the side of the family. (Les contacts informels? Ça va un peu dépendre des divers contacts mais ils ont un détachement, qui peut être variable mais, globalement, je dirais un détachement par rapport au projet qui permet des conseils qui ne soient pas biaisés par la dépendance.... Oui. Alors, c'est différent de ma famille et c'est différent de C parce que C a intérêt à me vendre des prestations. Et puis ma famille a un lien affectif qui est très fort avec moi et qui fait que le regard ne sera pas forcément tout le temps objectif. ... Il y a deux niveaux. Il y a un détachement émotionnel et il y a un détachement, je dirais, presque en termes d'intégrité dans le sens où un prestataire pourra orienter éventuellement son conseil d'une manière telle que, derrière, il va vendre de la prestation. La famille n'est pas du tout dans cette optique. Elle aura tout intérêt à... Elle aura un détachement complet par rapport à l'aspect financier. Et le contact informel, lui, sera un peu intermédiaire. Et si on prend l'aspect détachement plus ou moins fort au niveau affectif, le détachement est très fort au niveau du prestataire ou du contact informel, en revanche il y a au contraire un fort attachement affectif au niveau de la famille...).

As R expanded further,

Well I think that the bias could perhaps be either of an emotional nature or be linked to the idea of selling some services, of having a commercial relationship. For me there are two types of detachment. There is an affective detachment and a commercial detachment. The family has a strong commercial detachment but a weak affective detachment as they are very attached. The informal contacts are detached at the emotional level, but at an intermediary level seen from a commercial point of view. And the service provider has a strong detachment at the emotional level. In return, at a commercial level, he has a strong dependence. (Oui mais je pense que le biais peut être soit émotionnel soit plus vérial avec l'idée, derrière, de vendre des prestations, d'une relation plus commerciale. Donc, pour moi, il y a en fait deux types de détachement. Il y a un détachement affectif et un détachement commercial. Donc la famille a un fort détachement commercial mais un faible détachement affectif puisqu'ils sont au contraire très attachés. Le contact informel, c'est un détachement au niveau affectif mais une situation intermédiaire au niveau commercial. Et le prestataire a un fort détachement au niveau affectif. En revanche, au niveau commercial, il a au contraire une forte dépendance) (interview with R on 21.11. 2006).

In his highly analytical evaluation of the professional ties linked to his human capital R identified a certain sense of detachment with view to his entrepreneurial project which allows unbiased advice, advice not linked to commercial dependence. This is indeed very different from R's relationship with C who is interested in selling her services and his family, who, although well meaning and with whom he has a very strong emotional tie, yet their view would not always be objective, '*le regard ne sera pas forcément tout le temps objectif*' (interview with Ronan on 21.11.2006). Whereas his family is emotionally involved, yet financially detached; the informal contact are detached at the emotional level, but positioned at an intermediary level seen from a commercial point of view.

R illustrated this issue further when we were looking at the case of MLT, the head of the Association des Anciens at the ESC. He used this example to illustrate the former's commercial detachment from his venture. She is not interested in selling any services to him. Her opinion is thus objective. She has never worked with him, thus the link is rather of a professional nature than emotional.

RK: *An emotional detachment?* (Un détachement émotionnel. C'est ça?)

R: *Yes. And commercial, by the way. As she does not want to sell me any services. Her opinion is at this level objective. Similarly, she has never worked with me. Hence the link is rather of a professional nature than emotional, seen from a historical point of view.* (Oui. Et commercial, d'ailleurs. Puisqu'elle ne va pas me vendre des prestations. Son avis, à ce niveau-là, sera objectif. Pareil, elle n'a pas travaillé avec moi. Donc le lien sera plutôt de nature professionnelle qu'affective au niveau historique).

I will come back to the idea of (in)dependence in Chapter 10.

9.1.10.5 Former colleagues (and friends) providing feedback, advice and information

Professional colleagues also tend to provide valuable professional advice and information as we can see in a number of cases such as NF who continues to work with a communication agency (PP), which had already worked for company P. at the time when NF was P's employee. As NF recounted, these people belong to his professional network, he has already worked with them and he spent a lot of time discussing agency-related issues with PP (interview on 01.03.2006).

NF: *Well, I have used them in the second phase of the venture. I have used them in the second phase to find clients and potential partners. (Voilà et eux je les ai aussi beaucoup utilisés dans la deuxième partie. Je les ai plus utilisés dans la deuxième partie qui était trouver des clients et des prospects).*

PP is a very valuable source of information for finding clients and potential partners as well as any task-related issues linked to the kind of agency NF intends to create. As the following quote shows, PP provides a very valuable insight into professional issues. To the question of whether PP gave advice about fiscal issues NF responded:

NF: *No, this does not mean from a fiscal point of view, but rather how do you organise an agency, how does this work, what is the difference between an agency and an advertiser, how do you organise a 'pricing', finally it is also about the question what is the specificity of a communication agency in comparison with a normal company? A services agency in relation to a company? (Pas fiscale mais comment c'est organisé une agence, Comment ça marche, quelle est la différence entre une agence et l'annonceur, comment est-ce qu'on fait un pricing, enfin voilà qu'est-ce qui fait la spécificité d'une agence de communication par rapport à une entreprise normale? Une agence de service par rapport à une entreprise normale?)* interview with NF on 01.03.2006).

Similarly, YC's case illustrates how his professional ties, who happen to be heads of well known multinational companies, provide professional and personal advice that he appreciates. ST 1 is head of a fibre optics company, R is President of company P, a well known company specialising in contraceptives and ST 2 is the company head of a chain of luxury shops. Apart from these people being YC's former colleagues, he also described them as his friends. The fact that they have known him for a long time and have helped him develop his career and hence know him best, is a key issue and gets subsequently integrated in the repertory grid. I already commented upon the historicity of professional ties in section 9.1.2. YC appreciates ST1's professional and personal advice as the following quotation shows:

He has had a very good career and I appreciate his professional and personal advice a lot. He knows me really very very well. Thus, in fact, really what these people have in common, is that they know me very well. I tend to ask their advice, to talk with these people, who I think, know me well. (Il a eu une très bonne carrière et donc j'estime beaucoup son conseil professionnel et personnel. Il me connaît très, très bien. Donc, en fait, vraiment, ce qu'ils ont en commun, c'est que je pense que les deux me connaissent très bien. Donc j'ai tendance à leur demander conseil, à parler avec des gens qui, je pense, me connaissent bien).

9.I.11 Conclusion

The discussion in this first part of the Chapter has focussed on the roles and contributions of professional ties related to the EHC. This Chapter contributes to the existing literature through its in-depth investigation of such ties. As Figure 9.1 shows, these ties are characterised by a great richness of roles and contributions to the entrepreneurial venture. They share many aspects with both family and friendship ties such as providing functional, emotional and financial support as well as discussion, reflection and advice. They are essential for providing external validation, legitimisation and credibility of the project, which is due to their greater emotional detachment from the project, compared to family and friendship ties who know the founder intimately.

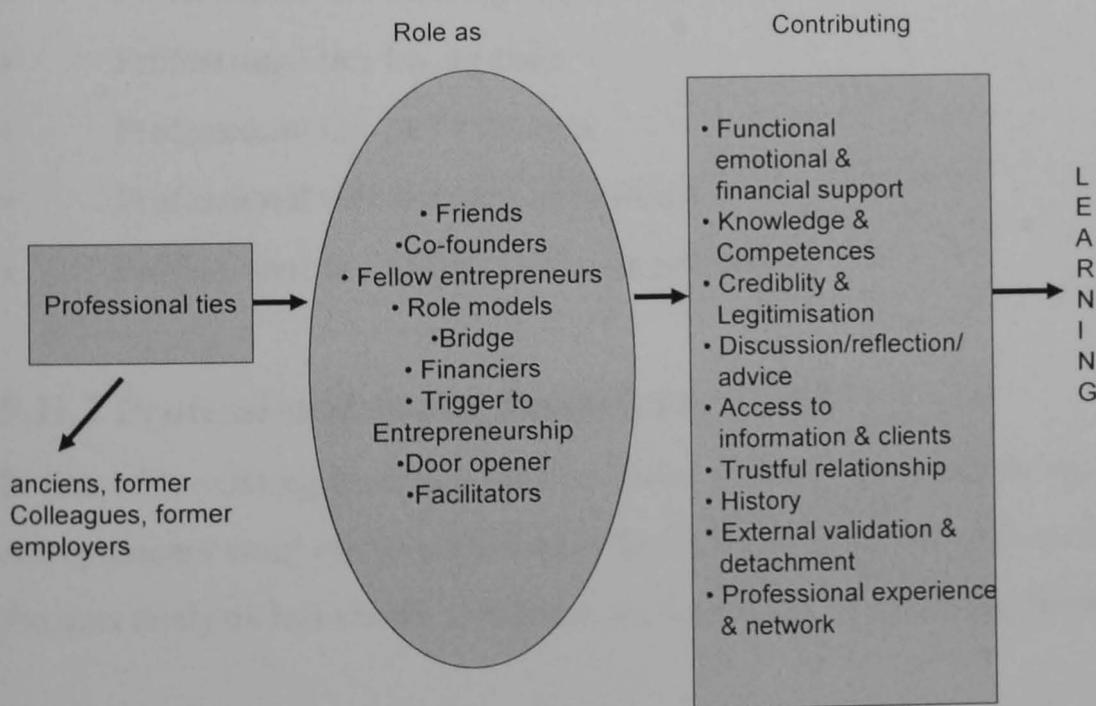
These professional ties can also bring very valuable contacts, in the form of a professional network, professional experience, but also superior access to information as well as the opportunity for the entrepreneur to learn from his/her ties' experiences. Very often professional attributes offered by these ties are overlaid by a cognitive dimension, which creates like-mindedness between the people concerned. The entrepreneur stays in touch with these professional ties and the latter support the entrepreneurial project, which suggested that the relational and cognitive dimension overlap. I will further explore the latter aspect in Chapter 10. Perhaps most important the analysis has underlined the importance of Anciens for these entrepreneurial networks at the pre-organisation stage, an aspect that is specific to the French context and new to the existing literature.

This Chapter has also added to the existing literature through its focus on the roles and contributions of professional ties as co-founders at the pre-organisation stage. I highlighted the complementarity of such ties but also the important contribution these make in terms of their professional experience, complimentary skills, a readily available network as well as emotional support.

In addition, this first part of the Chapter has highlighted the important contribution of professional ties for entrepreneurial learning at the pre-organisation stage, which is a new aspect to the already existing literature on entrepreneurial network dynamics and social capital.

Similar to family and friendship ties the analysis in this Chapter has stressed the historicity of professional ties and the development of trust and respect between such ties and the entrepreneur. In many cases professional ties turn into friendship ties over time, which also underlines the multiplex character of such ties and adds to the high quality of the latter. Figure 9.1 summarises the different roles and contributions of professional ties related to EHC.

Figure 9.1: The roles and contributions of professional ties related to EHC



The second part of this Chapter continues with the investigation of the roles and contributions of professional ties, yet I focus on those ties detached from the entrepreneur's human capital.

Part II: Professional ties detached from the EHC

9.II.1 Introduction

As discussed in Chapter 4 Birley's (1985) research highlighted that over time the entrepreneur changes the focus of his network and a shift occurs from informal network contacts to formal, commercial business contacts such as banks, accountants, lawyers and the Chamber of Commerce during subsequent stages in the life path of firms. These formal sources of assistance were only consulted after the different aspects of the firm had been decided. Similar to Birley this research found that few entrepreneurs had integrated formal commercial ties, and where this was the case it was usually in the second or third phase of the venture. Birley's informal commercial ties correspond to the professional ties unrelated to the human capital of the founder in this research study. Cross case and within case analysis has identified a variety of roles for these ties:

- Professional ties as financiers
- Professional ties providing professional services paid for
- Professional ties offering knowledge and competences/operational assistance
- Professional ties offering external validation
- Professional ties taking risks
- Professional ties as facilitators
- Professional ties bringing in business
- Professional ties as link to the outside world

9.II.2 Professional ties as financiers

In line with existing literature such as Birley (1985) this research has shown that very few entrepreneurs went out to seek formal financing for their entrepreneurial venture. In fact, the data analysis has shown that there are four ways of obtaining finance: either through

- a bank,
- family/friends as financiers
- concours (high tech and innovative business competitions)
- the French legal system (Loi Dutreil)

I will not comment on the latter two as they do not qualify for a tie status but represent external funding mechanisms available to the entrepreneur.

9.II.3 Activity-dependent funding

From the existing data analysis we can conclude that the reluctance to seek external financing is clearly linked to the fact that the majority of the ventures were founded in the services sectors, which meant that little funding was needed. YC, for instance, pointed out that he simply needed no financing (interview with YC on 29.01.2007). Funding was, however, essential in at least four cases. These are E & JT, PP & CB, P & G as well as MB & AL which all involved production facilities, be it for the creation of a restaurant in the heart of Paris such as in the case of E & JT or to create a prototype such as in the case of MB & AL and P & G. However, only E & JT and PP & CB formally approached a bank. MB & AL systematically targeted innovation competitions in France and won the majority of them which gave them a sound financial basis. In comparison, P & G won a smaller number of local and regional competitions in Normandy where their venture is based.

9.II.4 Banks and finance

In order to raise funding to buy the premises for their future restaurant E and JT approached a Paris-based bank and PP and CB sought financing from banks in Normandy. The latter made the tour of the regional banks and they eventually settled a deal with the bank where CB's father worked. CB insisted, however, that this was purely coincidental and it could have been any other bank. What was important, however, as CB emphasised is the fact that the banker was the first external person to validate the project, to give an objective opinion (interview with CB on 23.08.2006). I will come back to this aspect in section 9.II.6.2

9.II.5 Family and friendship ties as financiers

Conversely, there were a number of entrepreneurs who preferred to ask family or friends for financial support. As mentioned in sections 6.3.1 and in 9.I.3 BS invited NFi to join him in his entrepreneurial project in order to comply with legal requirements but also to obtain the necessary finance for the venture. Similarly, AC raised some finance from his family in the early stages of the development of his Internet start-up. In addition to the funding obtained from a local bank in the early stages of their entrepreneurial venture CB and PP involved four shareholders in their venture. As CB explained in an interview on 23.08.2006, these were personal friends of his co-founder PP, who were professionals and entrepreneurs themselves. For CB these ties were, however, complete strangers. As he remembered, these people did not only provide finance to the project, but also valuable

feedback, competences and their entrepreneurial experience. Very important was also the aspect of discussion which meant that the two founders felt less isolated in their work. CB underlined, however, that it was still up to the two founders to make the final decisions and decide upon the strategy. None of the shareholders was actively involved in the operational side of the business. As CB explained further:

We took external advice regarding shareholders, since the beginning, this means at the beginning we had the majority but there were other shareholders who were people who brought some capital as they were amused by the concept or they were friends or because they knew the type of activity, even though it did not necessarily have much to do with what we were doing and who also had an experience or were entrepreneurs themselves as two at least of them had created their own business (On a pris des conseils extérieurs plutôt au niveau de l'actionnariat de départ c'est-à-dire qu'au début on fonctionnait majoritaire mais on avait d'autres actionnaires qui étaient des gens qui apportaient du capital parce que le concept les amusait ou par amitié ou par connaissance avec des activités n'ayant pas forcément grand-chose à voir avec ce qu'on faisait et qui avait aussi, bien évidemment, une expérience ou de créateurs eux-mêmes parce que deux d'entre eux, au moins, étaient des créateurs d'entreprise).

RK: *So they were with you right from the start?* (Ils étaient déjà là au début ?)

CB: *Yes, from the moment we put the company capital together. We had to create an S.A., Société Anonyme and we needed a minimum amount of capital for this type of company, which was relatively high. So we invested effectively X. We involved further associates who brought some percentages each time and who also brought their competences to the venture, their experience and their recommendations. This allowed us to have some feedback, to discuss with them the projects we could realise. With hindsight this was on the one hand a support, a support as we felt less isolated but you should not be lured into false security, as the person who takes the decisions who directs the strategy is always the one who is operational who lives it... These people had their activities and did not have any time to consecrate except for a sporadic involvement when there was an 'Assemblée Générale' or we consulted them about very precise points but they themselves were not operational in the structure of the business* (Oui, au moment de la constitution du capital de la société. Il a fallu constituer un, on a créé une S.A. à l'origine. Société Anonyme, et donc dans une S.A. il y a un capital minimum qui est assez important. Pour situer ce capital, nous on a apporté, effectivement X Euros on a intégré d'autres associés qui ont apporté quelques pourcents à chaque fois et qui on apporté en plus leurs compétences, leurs vécus et leurs recommandations éventuelles. Cela permettait d'avoir un feedback, de pouvoir discuter avec eux des projets qu'on pouvait avoir. Avec le recul, ça a été à la fois une aide, une aide parce qu'on se sent un petit peu moins isolé, mais à la base il ne faut pas se leurrer, la personne qui prend les décisions, qui oriente la stratégie de l'entreprise c'est quand même celui qui est dans l'opérationnel, qui vit le... Ces gens avaient, effectivement, leurs activités et n'avaient du temps à consacrer que ponctuellement quand il y avait une Assemblée Générale ou les solliciter sur des points très précis mais eux n'étaient pas opérationnels dans la structure).

As the analysis in this section has shown the entrepreneur prefers to rely on private funding either through family or friends. Much of the reluctance of the entrepreneurs to involve banks in their entrepreneurial project is reflected in one of E's comments.

French bank lend you money if you have enough already (*Les banques françaises vous prêtent de l'argent, si vous en avez déjà assez*) (interview with E on 06.07.2006).

When she and JT went to see their bank, they already had substantial capital available, as they both owned property. The bank was prepared to lend them exactly the same amount that they owned already in their property. Hence she concluded that French banks give you money if you have money already.

This section has illustrated the role of different ties in providing funding for the entrepreneurial project. The following section illustrates the involvement of BSOs.

9.II.6 BSO involvement

9.II.6.1 Chamber providing operational assistance, knowledge & contact with the outside world

Very few entrepreneurs involved BSOs such as the local Chamber of Commerce or an enterprise agency. Only PP & CB and GK involved the local Chamber of Commerce in different phases of their entrepreneurial venture. Whereas the type of work they did together with the Chamber was not particularly sophisticated, as CB highlighted, the two entrepreneurs obtained a basic software packet to help with the business plan and the financial information, which gave them a model to present to the banks. They could present the information in a systematic way showing their activity and the funding needed for it. The chamber also provided knowledge that the two founders did not possess and made some professional recommendations. A further aspect of interest was also that it helped CB and PP to escape from their isolation. CB's comment illustrates the situation:

We also met the Chamber of Commerce to think about, to see whether they could advise us on the creation in order to orientate us, to give us some advice (Il y avait également des rencontres avec la chambre de commerce pour raisonner sur le... voir ce qu'ils pouvaient conseiller en termes de création d'entreprise pour un peu nous orienter, nous donner des conseils etc.

RK: And did these meetings help? (D'accord. Et ça vous a aidé, ces rencontres?)

CB: Yes, of course. Yes effectively, I remember now. It is coming back. I had forgotten about it. The business plan and the provisional trading account, we put them together using a small software packet of the Chamber of Commerce. We had met somebody who was looking after this and who said: 'What are you going to do? How much do you want to earn? What type of company do you want to create?' Which gave us a model and allowed us to see the banks and we could say: we need this as we intend to develop an activity that could be financed like this (Oui. Bien sûr, oui. Oui parce que, effectivement. Je me souviens maintenant. Ça me revient. J'avais oublié ça. Le côté business plan et compte d'exploitation prévisionnel, on l'a mouliné dans un petit logiciel de la chambre de commerce. On avait rencontré quelqu'un qui s'occupait de ça et qui nous avait dit: "Qu'est-ce que vous allez faire? Combien vous allez gagner? Quel type de société vous allez créer?" Donc ça nous donnait un petit modèle simple qui permettait de dire: "Voilà." Qui permettait d'aller voir les banques en disant: "On a besoin de tant parce qu'on a prévu de développer une activité qui va se financer comme ça.")

RK: Ok, but there are few entrepreneurs who work with the chamber for the creation (Parce que peu d'entrepreneurs ont travaillé avec la chambre sur la création).

CB: *Yes? This was not a particularly sophisticated work but it has helped us. On the one hand this provided us with knowledge we did not necessarily have. This also helped us to feel less on our own in our corner. And then, on the financial side we were far from being specialists, now we had more professional recommendations* (Oui? Là, ce n'était un travail extrêmement poussé mais ça nous a aidés. D'une part, ça nous a donné des connaissances qu'on n'avait pas forcément. Bon, ça permet aussi de se sentir un peu moins tout seul dans son coin. Et puis, comme sur l'aspect financier on était loin d'être des cadors, on avait des recommandations un peu plus professionnelles) (interview with CB on 23.08.2006).

This short section has illustrated the very practical, yet important contribution the Chamber is making to the success of the entrepreneurial project.

9.II.6.2 Professional ties as external validation

Similar to section 9.I.10.3, CB emphasised the superiority of professional ties, yet here those unrelated to the entrepreneurial human capital, in validating the project. I discussed this aspect with him on 23.08.2006. CB identified the aspect of external validation as common to both the Chamber of Commerce (CCI) and the four shareholders, all friends of CB's co-founder PP and all professional ties related to the latter's human capital. He emphasised that the positive opinion of professional ties was very reassuring for the founders as for these ties enterprise creation and company development were part of their daily business.

CB: *In common? For me that is obvious. It is the aspect of evaluation!* (En commun? Pour moi, c'est clair. C'est l'aspect évaluation).

RK: *The two.* (Les deux?)

CB: *Yes, the evaluation of the validity, of the validity of the project. It is obvious that the opinion that we could have from one or another could be comforting for us. When somebody said: Yes I think that is. With, each time, a professional dimension. This means we contacted people who had been involved in business creation and company development in their profession and on a daily basis. Here it was part of their profession and there because they encountered constantly projects, entrepreneurs and they helped them to finance and develop their companies.* (Oui. Evaluation de la validité. .. de la validité du projet. Il est évident que l'avis qu'on pouvait avoir des uns ou des autres nous confortait. Si on nous disait: "Oui, je pense que c'est..." Avec, à chaque fois, une dimension professionnelle. C'est-à-dire qu'on faisait appel à des gens qui étaient confrontés à la création et au développement d'entreprises dans leur métier de tous les jours. Là parce que c'était en partie leur métier, là parce qu'ils rencontraient en permanence des projets, des créateurs et qu'ils aidaient à financer et à développer leurs entreprises) (interview with CB on 23.08.2006).

This section has emphasised the importance of organisations such as the Chamber in validating the entrepreneurial project. The following section highlights professional ties who are willing to take risks and act as door openers.

9.II.6.3 The importance of first suppliers and first buyers as door openers and risk takers

Very few ventures had involved suppliers in the early stages of the start-up processes; one such example was the company SAPP with the founders CB and PP. It is important to bear in mind that for CB the supplier M represents a purely professional tie, completely detached from his human capital which contrasts with his colleague PP who has known M professionally for some time. M was key for the entrepreneurial venture as he did not only offer favourable payment conditions, which were vital for the fledgling venture, but also storage facilities. He took a major risk of ruining his own good reputation. M opened doors for the two entrepreneurs and thus was very important for the development of the business. CB illustrated the situation on 23.08.2006.

Our first supplier. I was thinking about this as we can link him with the buyer. We had contacted a company, called M. He was absolutely vital in terms of the network. On the one hand he accepted to work with us as supplier although it was quite risky for him, he also provided payment facilities for us which was really very important. Storage facilities. Well he also took the risk of producing our products, so in terms of his reputation, he got a bit involved in the development of the business. But commercially he really tried to help us a bit by opening certain doors. I have a tendency to forget this but this was really somebody who was very important for our development (Notre premier fournisseur. J'y pense avec l'acheteur parce qu'on pourrait les rapprocher. C'est-à-dire qu'on a contacté une société, un torréfacteur du Nord qui s'appelle Meo. Lui, effectivement, était vital en termes de réseau. D'une part parce qu'il a accepté de travailler pour nous en tant que fournisseur alors qu'on avait... C'était quand même assez risqué. Il nous a accordé également des facilités en termes de paiement etc. qui ont été très importantes. Des facilités de stockage. Bon. Il a aussi pris le risque de fabriquer pour nous ces produits-là, donc, en termes d'image et autres, de s'impliquer un petit peu dans le développement de l'entreprise. Même commercialement il a essayé de nous aider un petit peu en nous donnant des ouvertures, j'ai tendance un peu à évacuer mais c'est quelqu'un qui a été très, très important dans le développement) (interview with CB on 23.08.2006).

Comparing M with the buyer from a big supermarket chain CB felt that the two men were quite similar in the way that they took the risk to trust the two entrepreneurs, trust them with the distribution of their products, trust them with the outsourcing.

Well you can link M and the buyer from company C who is a bit... who also took the risk to trust us in terms of the distribution of the products. And our supplier took the risk to trust us to work with him for outsourcing. After all, we could have started and never have paid him, he could have, it was absolutely vital to find this intermediary. (Effectivement, on peut le rapprocher de l'acheteur de Continent qui s'est un petit peu... qui a pris le risque de nous faire confiance sur la distribution des produits. Et notre fournisseur a pris le risque de nous faire confiance sur le fait de travailler pour nous en tant que sous-traitant. Après tout, on pouvait très bien démarrer et puis il pouvait ne jamais être payé, il pouvait... C'était quand même vital de trouver cet interlocuteur) (interview with CB on 23.08.2006).

As CB further elaborated, PC was equally vital for the project as the two entrepreneurs could use his brand name. In fact, the whole project depended on his agreement to use

PC's brand name. On the other hand ever, as CB emphasised, if they had not found their supplier nothing would have happened either. As CB underlined, the network started to play an important role which created an affective/emotional link. The ties, discussed here, were completely unknown to CB, before he embarked on the entrepreneurial project. They effectively belonged to PP's professional network and dated back to the latter's time at the well known company S. The following extract from an interview with CB on 23.08.2006 illustrates the situation

It is obvious that PC was vital because, if he had never signed the contract, we could not have started the venture. Without doubt he was vital for the project, also as he allowed us start selling the product. But if we had not found the guy who did the production for us, nothing would have happened either. And this is where the network comes in. This means that there is an emotional part here. (Il est évident que PC a été vital parce que, s'il n'avait pas signé, on n'aurait jamais démarré. Lui a sans doute été vital aussi parce qu'il nous a permis de commencer à vendre les produits. Mais si on n'avait jamais trouvé le gars qui allait fabriquer pour nous, il ne se serait rien passé derrière. Et là, la notion de réseau est importante. C'est-à-dire qu'il y a eu une part affective aussi)

RK: *How did you find him?* (Et vous l'avez trouvé comment?)

CB: *The world of coffee is small. PP knew him more or less, I think from his time at company S. And this was a company that had always had a good image, we met up... I don't remember when we met each other for the first time, but we got on very well. We went to see him, we discussed the products, we talked about development. This is somebody who has a good attitude and who loved the project which we brought to him. He found it seductive. There we are really right down in the notion of the network* (Parce que le monde du café est petit. Philippe Poisson le connaissait plus ou moins, je pense, quand il travaillait déjà chez Segafredo. Et puis c'est une société qui a toujours eu une bonne image. Et on s'est rencontrés... Je ne sais plus quand on s'est vus la première fois mais, bon, le courant est très bien passé. On est allés chez lui, on a discuté des produits, on a parlé développement. C'est quelqu'un qui a un très bon esprit et qui aimait bien le projet qu'on lui apportait. Il trouvait ça séduisant. Donc là, on est à fond dans la notion de réseau) (interview with CB on 23.08.2006).

This section has shed light on the different views of entrepreneurial reality, which fit well with the philosophical framework I had chosen for this study (see Chapter 5).

9.II.6.4 Professional ties providing expertise

In Chapters 7, 8 and in the first part of this Chapter I already highlighted the need for certain competences, often of a technical or marketing nature, for the entrepreneurial project. The analysis of the professional ties unrelated to the EHC showed that there were a number of entrepreneurs who also needed legal and financial advice of how best to create a business. PP and CB explained to me that they required legal advice in order to decide what legal form to adopt, to decide the amount of capital needed and to enquire about the different administrative formalities. Asking CB when he had been in touch with external advisers he explained:

Before the company creation, as before creating a business you have to find out about the legal aspect, you have to determine the legal form you want to adopt, how much capital you want to put down. What are the different administrative formalities to accomplish? Well, this is when we contacted a legal adviser for help, this was not very complicated, as the need for accounting started immediately when the activity began, hence in the first tax year (Avant la création de l'entreprise puisqu'avant de créer l'entreprise, il faut, par exemple, sur l'aspect juridique, il faut qu'on détermine quelle forme juridique on va adopter, quel va être le capital de départ ? Quelles sont les formalités administratives à accomplir ? Là, effectivement, on a pris conseils auprès d'un conseiller juridique, ce n'était pas très compliqué; puis la compta ça à commencer à partir du moment où l'activité à démarrer donc à partir de la première année d'exercices (interview with CB on 23.08.2006).

When I discussed the repertory grid with CB on 23.08.2006 we contrasted PC who owns the brand M with the lawyer C to establish the repertory grid. Both men had been very instrumental in the actual creation. PC licensed the brand to the two entrepreneurs and the lawyer C was key for the legal aspects of the creation. As CB illustrated further:

Well, this person is different because we are really in the detail here, I am looking for the best way to characterise it, as we had a very operational help on the distribution side, for the distribution of our products. These two people (PC and C) really allowed us to create the business. This means what they have in common, is this. The first allowed us the brand name, the second helped us technically to create the company. We came with a project, he (PC) gave us the possibility to sell the products, the commercial possibility to really start the business. (Elle est différente parce qu'on est vraiment dans le, là, on est dans l'aspect. Je cherche comment le caractériser au mieux. Puisque, bon, là on avait une aide très opérationnelle sur l'aspect distribution, donc sur l'introduction de nos produits. Ces deux personnes-là nous permettaient de créer réellement l'entreprise. C'est-à-dire que leur point commun, c'est ça. Le premier nous donnait le feu vert pour utiliser la marque; le deuxième nous aidait techniquement pour pouvoir constituer une société. On venait avec ce projet, il nous donnait la possibilité de vendre les produits, la possibilité commerciale de commencer réellement l'activité).

As the repertory grid discussion showed, C and PC had the legal side in common, yet the two also brought their professional expertise to the project, a certain kind of trust as well as the willingness to take risks. For PC, however, the risk was very limited, as CB pointed out even zero, as the two parties would sign a contract where he would be guaranteed certain minima. If the two entrepreneurs would not sell anything, they would not pay him his royalties but PC would not lose anything. In comparison, there was more risk for people such as M as he put a bit of his company image, of his position, into their project. Having outlined the commonalities between C and PC, CB expanded further:

This means that the two brought their professional expertise to the venture. On the one hand their professional expertise and their acceptance. Finally a type of trust or the acceptance to take risks. The risks for PC was zero. We signed a contract, anyway. We had to guarantee certain minima. In the worst case if we sold nothing we would not have paid the royalties but he would not have lost anything. He even had the right to ask for a minimum of payment in exchange for the signed contract. Here the risk was much more important for people like M who put a bit of his own company, of his position in the

project. Somebody could have asked them: ' Why do you trust this company?' (C'est-à-dire que ces deux-là nous ont apporté leur expertise métier. D'une part leur expertise métier et l'acceptation... Enfin, une forme de confiance ou d'acceptation de prise de risque. Le risque, pour Cardin, il est nul. De toute façon on signe un contrat. On devait garantir des minima. Dans le pire des cas on ne vendait rien, on ne payait pas nos royalties mais enfin, bon, lui ne perdait rien non plus. Il était même en droit éventuellement d'exiger un minimum de versements de royalties en contrepartie du contrat signé. Là, le risque était beaucoup plus important pour des personnes comme celle-ci (M) puisque, bon, elle mettait un petit peu en jeu l'image de leur entreprise, leur poste. On pouvait leur dire derrière: "Qu'est-ce que tu es allé faire confiance à cette société-là?" ou...).

RK: So we had a combination of risk-taking and a certain trust. (Donc là on a encore une combinaison, je dirais. On a une prise de risque, même avec une certaine confiance).

CB: Yes, absolutely (Oui. Tout à fait. Oui. Absolument).

This section has highlighted the different competences professional ties bring to the entrepreneurial venture. A crucial element of the relationship between the entrepreneur and these ties is, however, that the relation is characterised by a financial transaction.

9.II.6.5 Providing services paid for

A very important aspect was highlighted by R, who involved a lawyer (C) to obtain certain services. He found her as she was working for a well known solicitor's office and she had a good credibility in the field. Initially she gave him some information, later she advised him. As R explained further,

She provides certain services to me. She is my lawyer (Elle fait des prestations de services pour moi. Donc c'est mon avocat maintenant).

RK: How did you find her? (Comment l'avez-vous connue?)

R: As she has a good credibility in the field. Initially she provided some information (Parce qu'elle a une bonne crédibilité dans le secteur. Donc, initialement, on m'a donné quelques informations).

RK: Did anybody recommend her to you? (Elle vous a été recommandée par quelqu'un?)

R: No she is working for a solicitor's office which is very well known, which has a good reputation...she is very well known. Initially she provided some advice. Then, let's say her credibility was guaranteed in my eyes (Non mais elle travaille dans un cabinet qui est très reconnu, donc qui a une notoriété. Elle est très reconnue. Du coup, initialement, elle m'a donné quelques conseils. Ensuite, disons que, sa crédibilité étant garantie à mes yeux).

C was particularly involved in the final phase of his R's entrepreneurial project, R evaluated her 1 out of 5. He emphasised, however, that C provided an external service and that she was paid to do a job, hence there was a financial interest that was driving the transaction. As R expanded:

Well, 1 out of 5, I think. As it is an external service and behind it there is a financial transaction, thus there is finally a financial interest, even if her advice is very useful (Voilà. Un sur cinq, je pense. Parce que c'est quand même un apport externe et qui, derrière, a donné lieu à transaction financière, donc c'est, enfin, il y a un intérêt financier. Même si les conseils ont été très utiles) (interview with R on 11.2006)

Similar to R, E has to buy in the services from a specialist in communication and she underlined the fact that this person was providing a service and was getting paid for it. She clearly rejects the idea of this being a type of support, it was a service rendered by somebody and this person was paid for it. The person's mission was very specific; to get the restaurant better known. As E explained during our interview on 06.07.2006.

E: Well ok concerning the story of the media expert, we paid her, this was not a type of support, but a service (alors elle pour le coup l'attaché de presse son soutien, on l'a payé, c'est pas un soutien c'est un service)

RK: Yes, professional support but paid for (oui c'est du soutien professionnel mais elle a été payé)

E: She did not help us with the management, but rather with making us better known (Elle nous a pas aidé dans la gestion en revanche c'était juste comment se faire connaître voilà)

The examples cited here have shown that the entrepreneurs involved different professional ties that can provide certain services they could not find in their entourage. These ties get a financial recompense and as E clarified this was not support, but a service delivered.

Similar to R and E, the team of MB and Al had to go outside of their usual network to recruit somebody with competences in biology. As MB recalled on the occasion of our interview on 02.03.2006:

We found S as we had made a little advert to find somebody with competences in biology. We found him at an agricultural fair. We deposited a small job advert at the stall of his school and he found out about. He contacted us and that is how we met him. Nowadays we are associates and we work together (S on l'a connu parce qu'on a fait une petite annonce, pour trouver quelqu'un qui avait des compétences en biologie. On l'a trouvé au salon de l'agriculture. On a déposé une petite annonce au stand de son école et il en a entendu parler, il nous a contacté et on s'est rencontré. Aujourd'hui on est associé, on travaille ensemble).

MB & AL's case is different, however, as they wanted to integrate S as a permanent member of staff, whose competences would be complimentary to those of the existing team. S later become the fourth associate in the entrepreneurial team.

9.II.6.6 Professional ties bringing business

One of the few cases where professional ties unrelated to the human capital of the entrepreneur bring in business is the case of BS who I interviewed on 28.07.2006. He met S by chance through the Internet platform V, where he had posted his profile. S, who had worked for one of the big French banks, but had then created his own business, rang him up and wanted to employ him on a permanent basis. BS was not interested, yet asked whether S would employ him on a freelance basis. The two men met up to discuss the

situation. As BS underlined, S has an excellent 'carnet d'adresses', i.e. an address book and he had money due to his front office activity to realise his ambition to create a large consultancy firm. As BS described the situation:

So we can identify a last person to bring in business, he is called S. He contacted me by coincidence on the Internet platform V. In fact, I had put my profile on V and he rang me and said: Well, I am running a consultancy firm, I can offer you a job, are you free? I said: No, I am not free, but I would like to work independently. Can you bring in some business? He called me immediately. He said: No problem, we met, this all happened very quickly (Et donc on peut identifier un dernier apporteur d'affaires qui s'appelle Serge... Donc S m'a contacté par hasard sur le réseau V. En fait, j'avais mis mon profil sur Viaduc. Il m'a appelé en me disant: "Voilà. J'ai une société de conseil. Je cherche à embaucher. Est-ce que vous êtes débauchable?" J'ai dit: "Non, je ne suis pas débauchable mais, par contre, j'aimerais exercer de manière indépendante. Est-ce que vous faites apporteur d'affaires?" Il m'a rappelé tout de suite. Il m'a dit: "Pas de problème." On s'est rencontrés. Ça s'est fait assez vite).

An interesting aspect that emerges from the interview is the aspect of chance. Chance brings the two men together and creates opportunities for work for BS. However, we should not forget that BS provoked this chance as he was proactive by posting his curriculum vitae on a website intended to promote networking.

9.II.7 Conclusion

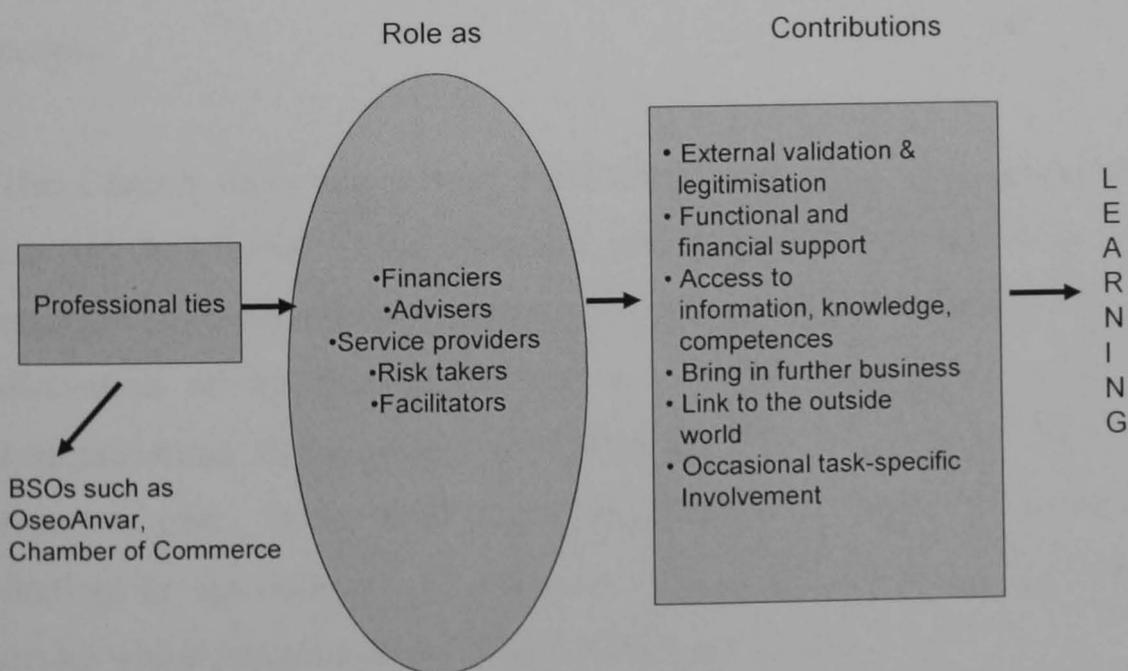
The second part of the Chapter has dealt with professional ties unrelated to the entrepreneur's human capital. I highlighted the importance of these ties as financiers, as professionals offering knowledge, competences and operational assistance. Furthermore these ties, similar to professional ties related to the EHC, have a key role in legitimising, validating and giving credibility to the venture, aspects that family and friendship would find difficult to deliver.

In general the professional ties discussed in the second part of Chapter 9 were involved to facilitate the start-up, bring missing competences to the project as well as business for the entrepreneur. In some cases they constituted a link between the entrepreneur and the outside world, an important aspect for the survival of the entrepreneurial project. Comparing these ties with family, friendship and professional ties related to the EHC (see Chapters 7, 8, 9.I) we find that the historical dimension is generally missing. It is also unlikely that these ties will provide emotional support and show affection. The probably most important distinction between the ties discussed in the second part of this Chapter and those discussed earlier is that the entrepreneur has to pay for their services and that their intervention is of a very occasional nature.

An important aspect that emerged from the discussion in parts I and II of this Chapter is the different perception of the cofounders. Ties that may constitute a mix of professional and friendship ties for one founder, may be completely unknown to the co-founder, which is an expression of the different entrepreneurial realities. This finding is an important contribution to the extant literature on entrepreneurial networks and social capital given the lack of research on team foundations, as already pointed out by Tötterman & Sten (2005) and Witt (2004).

A last, yet important point is the importance of chance. Without chance many of these ventures would not have been possible, chance seems to have been underestimated, however, as it has virtually never been mentioned in any of these cases. Figure 9.2 summarises the different roles and contributions associated with professional ties unrelated to EHC.

Figure 9.2: The different roles and contributions of professional ties unrelated to the EHC



The chapter that follows (Chapter 10) will conclude the discussion of the different dimensions of social capital with its focus on the cognitive side.

Chapter 10: The cognitive dimension of social capital

10.1 Introduction

This research study focuses on the three-dimensional exploration of social capital in terms of structure, relationality and cognition. The preceding chapters have illustrated the findings for the structural dimension (Chapter 6) and the relationality of entrepreneurial interaction (Chapters 7-9). One of the major findings of this research was the importance of the Anciens for the development of the entrepreneurial project as well as the involvement of fellow entrepreneurs as part of the entrepreneurial network at the pre-organisation stage.

In this Chapter, which completes the discussion of the different dimensions of social capital, I focus on the cognitive dimension of social capital. As pointed out by Tötterman & Sten (2005) this is an area which has, to date, been under-researched, with the exceptions of Lee & Jones (2006) and Liao & Welsh (2005), whose work I reviewed in Chapter 4. In line with Liao & Welsh (2005), who underline that a major shortcoming of the existing literature is its uni-dimensional focus on social capital, I would like to emphasise the novelty of the approach I have taken by exploring the concept from its structural, relational *and* cognitive dimensions. The cognitive dimension, which is about “shared systems of meanings among actors” (Steier 2001, p. 262), examines the underlying understandings of interaction and exchange between people.

This Chapter starts with a brief discussion of the role of cognition in entrepreneurship, network and social capital literature and gives an overview of the key themes that emerged from the repertory grid analysis (part I), which is followed by a more detailed discussion of the findings in part II. In the third part I illustrate a range of entrepreneurial characteristics and traits that the entrepreneurs had identified in their repertory grid. In the final part of this Chapter I discuss the consequences of these findings for the entrepreneur and their entrepreneurial project. I conclude suggesting a model which integrates the different findings from this Chapter.

10.2 Cognition, entrepreneurship and social capital

Whereas the inclusion of cognition is a relatively new approach to social capital research (Tötterman & Sten 2005), we find that network researchers such as Casciaro (1998) and Krackhard (1990) have already considered an individual’s ability to

accurately perceive the structures of the different types of networks. In particular the latter has been credited with being the first to discuss 'cognitive social structures' (Bondonio 1998). Indeed Krackhard (1990) highlighted that the accurate perception of network ties would be an important source of power within an organisational context and such awareness would give individuals the tools to achieve what they want as they would know which ties best to use to access the different types of resources needed (Casciaro 1998). Although we can identify a large amount of research that has investigated an individual's ability to perceive other peoples' personality traits (see for instance Cronbach 1955, Funder & Sneed 1993, Funder 1995), Casciaro (1998) points out that the investigation of an individual's accuracy of perception tends to focus on individual characteristics, studied in isolation, and not as part of a dyad or a network. Instead, the author emphasises, the few existing social-psychological studies that investigate the accuracy of the perception of relationships between interacting individuals have explored the questions of when and how people are accurate (Bernieri et al. 1996, Constanzo & Archer 1989). Similarly, few studies exist, that like Freeman et al. (1988) and Krackhardt (1990) have concentrated on how accurately individuals perceive the stable patterns of informal social interaction among others in a group. In particular Casciaro's (1998) research underlines the need to consider both personality and social-structural conditions when trying to explain accuracy in network perception. Applied to this research this suggests that we need to understand the cognitive processes of the French entrepreneurs as part and parcel of the French socio-economic and political context, which I illustrated in Chapter 2.

Cognition is a relatively new domain in entrepreneurship with researchers such as Baron (1998, 1999, 2004) underlining the need to explore entrepreneurial processes from a cognitive perspective. Much of the existing research, which has mainly been of a theoretical nature, has focussed primarily on three key questions in Entrepreneurship: Why do some individuals and not others become entrepreneurs?, Why do some individuals but not others recognise opportunities? and Why are some entrepreneurs more successful than others? Baron (2004), for instance, has pointed out the possible application and potential benefits of cognitive theories such as prospect theory, cognitive bias and regulatory focus theory as perspectives upon which to base future research exploring these questions.

Given that the literature review in Chapter 4 has shown that, to my knowledge, few studies have investigated *all* three dimensions of social capital and even fewer the cognitive side, I suggest that the inclusion of the cognitive perspective will open up new ways of understanding entrepreneurial perception of network development and management, in particular at the pre-organisation stage.

10.3 The key themes emerging from the repertory grids

In order to investigate the cognitive dimension of this research I drew, in particular, on the concepts (see Appendix 6.3) of the repertory grids. To remind the reader, repertory grids are part of PCT which falls in the constructivist paradigm, aiming to model cognition (see Chapter 5). In total I had negotiated 17 repertory grids, four of which apply to P&G, the longitudinal study. Within these grids we find 103 concepts, one third of which (38) relate to the cognitive dimension of social capital. These 38 concepts could be attributed to three major themes according to which the entrepreneur classified his network ties. The three themes are as follows:

- a) '*Etre entrepreneur vs pas l'être*', ie. being an entrepreneur or not
- b) '*Nous vs vous*', ie. 'them vs us' which referred to those 'in- and outside' the project and
- c) '*Etre Ancien vs ne le pas être*', ie. being an Ancien or not.

A key finding from the analysis of the repertory grids and the associated interview transcripts was that the entrepreneur engaged 'like-minded individuals' in his entrepreneurial network at the pre-organisation stage and evaluated individuals according to the three categories mentioned above.

10.4 Etre entrepreneur vs pas l'être (Entrepreneur or not)

Out of the 38 concepts that related to the cognitive dimension of social capital, 16 referred to the key distinction of whether a network tie was an entrepreneur or not. Possible variations were '*avoir le vécu de la creation d'entreprise vs ne le pas avoir*' (having (or not) lived enterprise creation), '*expérience de création or expérience de créateur vs pas l'avoir*' (having (or not) the experience of creation) and '*avoir une vision entrepreneurial vs ne le pas avoir*' (having (or not) an entrepreneurial vision). For a full list of the concepts relating to this major theme see Table 10.1.

In addition, there were two major variations to the key theme of a tie being an entrepreneur or not, one focussed on network ties having an entrepreneurial spirit/mindset with concepts such as *'avoir esprit entrepreneurial vs ne le pas avoir'* (having an entrepreneurial spirit or not) or alternatively *'avoir la mentalité d'entrepreneur vs ne la pas avoir'* (having an entrepreneurial mentality vs. not having it). The other highlights the idea of a network tie being either an employee or an entrepreneur, which was expressed in concepts such as *'être salarié vs créateur/entrepreneur'* (being an employee versus an entrepreneur), which occurred in slightly different wording in four concepts (see Table 10.1 for a full list). We can see that the idea of *'esprit'*, ie. *spirit or mindset*, is present in both variations of the major theme. Having an entrepreneurial spirit is, however, different from a 'lived' entrepreneurial experience, as I will illustrate in JMB's case (see section 10.7).

10.5 Further themes: *Nous vs vous* (us vs them) and *être Ancien* (being ESC Ancien)

The bipolar concept of *'nous vs vous'* (them vs us) occurred four times in slightly different variations such as *'avec nous vs convaincre'* (with us vs need to convince), *'dans le projet avec 'nous' and extérieur du projet 'vous'* (in the project with 'us' vs external to the project 'them') (for a full list of the concepts see again Table 10.1). The idea of *'être ancien vs être hors de l'école'*, which characterised people as being graduates of the Grande Ecole or not, occurred twice and was also articulated as *'être Ancien vs être hors de l'école'* (being Ancien vs being external to the school) or *'même études ensemble/connait depuis longtemps vs connait pas tres longtemps'* (having studied together/having known each other for a long time vs not knowing each other for a long time). Table 10.1 gives an overview of the different themes with their variations as well as the cases where these were found. The table also highlights that three themes belong together thematically as they relate to the key question of whether a tie is of an entrepreneurial nature.

Being an entrepreneur or not	<p>Etre entrepreneur vs pas l'être (MB, BS)</p> <p><i>Le vécu</i> de la création d'entreprise vs de ne le pas avoir (CB)</p> <p>Expérience de création/expérience de créateur vs pas l'avoir (JMB)</p> <p>Bonne connaissance des mécanismes économiques et création d'entreprise vs ne la pas avoir (R)</p> <p>Avoir une vision entrepreneurial vs ne la pas avoir (P & G)</p> <p>La vraie vie vs. milieu protégé (real life vs protected milieu) (P & G)</p>
Entrepreneurial spirit/mindset	<p>Esprit entrepreneurial vs pas l'avoir (P &G)</p> <p>Avoir la mentalité entrepreneur vs ne la pas avoir (JMB)</p>
Employee versus entrepreneur	<p>Employe/Salarié vs créateur/ entrepreneur (BS, SLB), Esprit entrepreneur vs esprit collaborateur/salarie, Prototype d'entrepreneur vs Prototype d'employé (PP)</p>
<u>Nous vs Vous</u>	<p>'Avec nous vs convaincre' (P&G), 'dans le projet avec 'nous' and extérieur du projet'vous' (P&G), 'être dedans vs être à l'exterieur' (PP), 'être dans le projet vs être hors du projet'(AC)</p>
Etre Ancien vs ne pas l'être	<p>Etre ancien vs être hors de l'école (SLB)</p> <p>Mêmes études ensemble/connait depuis longtemps vs connait pas tres longtemps (NF)</p>

The following discussion will illustrate the individual themes.

10.6 Part II: Être entrepreneur ou pas l'être (being an entrepreneur or not)

10.6.1 An overview of the findings

The majority of the 17 grids, exceptions are AC, YC, NF, GK and LS, deal with the question of whether network ties are entrepreneurial, which sheds light on the way the entrepreneurs perceive their network ties. Examining the grids where the entrepreneur had integrated this concept, the self-assessment of the entrepreneur showed that six

entrepreneurs (P &G, R, PP, JMB, SLB) evaluated themselves at either 4 or 5 on a scale of 1 out of 5 for being entrepreneurial, one had indicated that he was in the middle, ranked 3 (MB) and CB ranked himself at 1. Whereas the latter may seem surprising, this was, however, also confirmed in a separate grid negotiated with PP who assessed his partner CB as the prototype employee, an aspect that had initially caused conflict between founders (interview with PP on 06.11.2006). No self-assessment was available for BS, as the entrepreneur did not respond to several attempts to contact him. The following sections will discuss the different variations of this key theme.

10.6.2 Le Veçu de la création (having lived the creation)

When assessing his network ties CB emphasised the actual experience of ties having 'lived through enterprise creation'. Whereas he initially distinguished ties in his networks as either '*connaître l'entreprise ou non*' (knowing the business or not), he later changed the concept to '*avoir le veçu de la création vs pas l'avoir*'. This resulted from a discussion where CB found the former concept too ambiguous as it could be interpreted as either knowing the company (SAPP) or the world of business. The key idea was, however, as CB underlined, that network ties had *mastered* enterprise creation, had lived it, and had succeeded. In the interview on 25.08.2006 he explained more precisely:

CB: *Well, our concept is not very good, it is not very clear, our...* (Donc ce n'est pas terrible parce que je pense que ce n'est pas très clair, notre...)

RK: *Our concept?* (Notre concept?)

CB: *Yes, because everything depends on the point of view. Is it your company or is it the world of business.* (Oui. Parce que tout dépend de quel point de vue on se place. Est-ce que c'est notre entreprise ou est-ce que c'est le monde de l'entreprise?)

RK: We discussed the shareholders and you said that most of them had been entrepreneurs. So this means...(On a regardé les actionnaires et vous m'avez dit que la plupart étaient des créateurs d'entreprise. Donc ils sont...)

CB: *It is rather the aspect of enterprise creation. As the term enterprise on its own would be too ambiguous. We have to be more precise. It is about 'mastering enterprise creation'* (Il y a plutôt l'aspect création qu'entreprise. Parce qu'entreprise, c'est trop ambigu. Il faut bien préciser création. Maîtrise de la création d'entreprise).

RK: *Ok. Mastering ...*(OK. Maîtrise.)

CB: *Well...Having lived it. Let's say the idea is 'having lived it', this seems much stronger, having lived the creation* (Enfin... Ou le vécu. Disons le vécu, ça me semble beaucoup plus fort. Le vécu de la création d'entreprise)

CB later stressed that some ties are more involved in enterprise creation than others. We were discussing the shareholders, all personal friends of the co-founder PP and

entrepreneurs themselves as well as the Chamber of Commerce. He explained this further:

CB: So, they are all involved in enterprise creation every day. (OK. Et donc ils sont aussi immergés dans la création d'entreprise tous les jours).

RK: What do you mean? (C'est-à-dire?).

CB: The Chamber and the shareholders know the problems of entrepreneurship very well. Absolutely. They apply the same professional reference points. (La CCI et les actionnaires, ils connaissent bien la problématique de l'entrepreneuriat. Absolument, oui. Ils vivent dans un même domaine de référence).

RK: Yes, what does this mean...? Applying the same reference points, how do you mean? (Oui. Donc ça veut dire un peu... Exact. C'est ça. Vivre dans un même domaine de référence. C'est ça?)

CB: Reference points? (De référence, oui.)

RK: So how can we say this? (Donc comment est-ce qu'on dit ça?) (

CB: They know entrepreneurship! (Ils connaissent l'entrepreneuriat!).

CB's comment illustrates that important network ties such as the shareholders but also the Chamber of Commerce share the same reference points for the professional boundaries in which they operate. They share the same professional language that goes with their business activities, which is akin to a professional 'habitus', with shared meanings and understanding.

10.6.3 Bonne connaissance des mécanismes économiques et création d'entreprise vs ne la pas avoir (Having good knowledge of economic mechanisms and enterprise creation vs not having them)

A further variation of the concept of being an entrepreneur was introduced by R during our interview on 26.11.2006. For him it is not only important that his network ties are entrepreneurial in character, he also assesses them in terms of their knowledge of economic mechanisms, which he defined as the operational side of the business (also see Chapter 8). This is very similar to other entrepreneurs such as GK and NF who assessed entrepreneurial ties in terms of their operational contribution to the start-up (also see Chapter 8), yet is also akin to CB's ideas of ties having 'lived' enterprise creation. We initially started discussing the idea of network ties knowing R professionally and having worked together which led us into the following discussion:

RK: I think we can work with this idea of network ties knowing economic mechanisms and enterprise creation. For the two of them. So for L, what can we say in terms of him knowing economic mechanisms? (Je pense qu'on peut travailler avec cette idée de connaissance des mécanismes économiques et de la création d'entreprise. Pour les deux. Donc, pour L, qu'est-ce qu'on dirait au niveau de la connaissance des mécanismes économiques?)

R: *For L and A, very good knowledge of economic mechanisms. This would be less the case for H and other people* (Pour L et pour A, très bonne connaissance des mécanismes économiques. Ce qui sera moins le cas, par exemple, pour H ou pour d'autres personnes)

RK: *Ok, let's take 'good knowledge of economic mechanisms and enterprise creation. What do you understand by economic mechanisms?* (Donc on pourrait écrire quelque chose. Par exemple, bonne connaissance des mécanismes économiques et de la création d'entreprise. Qu'entendez-vous par mécanismes économiques?)

R: *The workings of a business.* (Le fonctionnement d'une entreprise).

Whereas L, R's friend and Ancien, and A, R's former employer possess a very good understanding of economic mechanisms and the operational side of a business, this is different for R's wife (H), who is working in the liberal medical profession and has never had any contact with the business world and enterprise creation.

10.6.4 La vraie vie vs. milieu protégé (real life vs a protected setting)

An interesting variation of the key theme of ties being entrepreneurial, is the concept '*la vraie vie vs. milieu protégé*' (real life versus a protected setting), which I established with P & G on 24.2.2006. To remind the reader, their case is an illustration of an innovative high tech creation in a Grande Ecole context and thus different from other cases in terms of network composition and size (see Chapter 6). Their network ties, as shown in grids 1, 2, 3 and 4 (see Appendix 6.3), include a significant number of professors who are subject specialists at the Management School, which is very different from other ventures created outside the Grande Ecole context, which could not benefit from the same protective and supportive environment as P & G. Whereas P & G include themselves, but also other entrepreneurs such as MB and NF, two other cases who feature in this research, in '*la vraie vie*', ie. real life; academics such as IR and TG are operating in '*a petite bulle*', a small bubble. The concept of '*petite bulle*' highlights the idea of a protective environment, of which the ESC and its staff are part. The following quote was taken from my negotiation of the first repertory grid with P and G on 24.2.2006.

PG: *The academic context, I mean, the milieu ESC, is somehow a protected environment.* (Le cadre académique je veux plutôt dire milieu ESC, milieu protégé quelque part)

RK: *Yes, maybe a protected environment. That's it* (Peut être milieu protégé. C'est ça.)

PG: *Protected, but not protecting, this may be a bit difficult* (Protégé mais pas protecteur c'est un peu difficile).

RK: *Well, so the protected environment this is for you like the school, isn't it?* (Donc c'est le milieu protégé, ça veut dire pour vous, c'est comme une école, c'est ça?)

PG: *Yes, that's it exactly, a small bubble.* (Oui c'est ça exactement, une petite bulle).

RK: *Yes, a small bubble, I agree* (*Une petite bulle oui. D'accord*).

Aiming to clarify the bipolar concept I prompted P&G to expand on the opposite of the metaphor 'petite bulle'.

RK: *So I still want to know what is the opposite of the concept 'une petite bulle'?* (Tout ce qui m'inquiète toujours que on a mis là sur le cadre académique un autre mot: une petite bulle, ça c'est bon, pas de problème mais sur l'autre côté qu'est ce qu'on a mis?)

PG: *It is a hostile milieu, somehow, a real milieu, a milieu: real life, this is reality. It all goes together. This is real life, yes that is.. real life. We are left on our own.* (Un milieu hostile quelque part, un vrai milieu, un milieu: vie réelle, c'est la réalité. Ça va avec. C'est la vraie vie, oui c'est ça. ...- la vraie vie. Là on est livré à nous-mêmes).

RK: *Ok, real life. This means that your brother is in the 'real life' whereas those two here are part of the little bubble.* (La vraie vie ah oui. Donc votre frère il serait plutôt la vraie vie vers les deux là qui vivent dans la petite bulle)

PG: *They are our protectors. The ESC is a protective milieu for us* (Qui sont protecteurs par rapport à nous. L'ESC ça reste un milieu protégé pour nous).

Being asked where the entrepreneurs would position themselves, they responded

We are not in a bubble. We are rather over there (Non justement c'est pas du tout bulle. On est plutôt de ce côté-là).

RK: *In the real life* (Ok la vraie vie).

P: *Yes, the real life. Trying to convince all the time. This is not a bubble at all* (Oui la vraie vie. Essayer de convaincre tout le temps. Ce n'est pas du tout bulle).

Contrary to those ties which form part of the 'petite bulle', these are in particular the academics at the ESC, P & G positioned themselves in a real life setting having to convince others, 'tout le temps', *all the time*. The aspect of 'convaincre' later gets integrated in their first grid and applies to all ties that are not 'with' the two entrepreneurs, but would need convincing (see Appendix 6.3). An idea underlying the metaphors of 'la vraie vie' and 'la petite bulle' is the often made reproach to academics that they live in an ivory tower, disconnected from the practical concerns of everyday life, which contrasts with the entrepreneurs and other ties who are part of real life, the business world outside.

10.7 Employee vs Entrepreneur status

10.7.1 Employé/Salarié vs créateur (employee vs creator)

The third theme that emerged from the repertory grid was the question of whether a tie was an employee or an entrepreneur/a creator. Discussing his diverse network ties with BS on 25.09.2006 he came up with the bipolar concept of 'salariné et créateur d'entreprise', ie. being an employee vs creator of an enterprise. The following extract illustrates the straight forward distinction he makes between employees and

entrepreneurs; he refers to N, a senior manager, in a P-based bank, who has always directed different departments but has never created even a branch of the business or her own company. In contrast, G, one of BS's colleagues, knows both worlds. He has always managed and directed people and departments, but he has also created his own business. As BS emphasised, this is the major difference between these two individuals:

Take for instance, the two big fish in the pond, whom we have already talked about, G and N. N. has had a beautiful career in banking, we can say that she is (more like) a manager, she is certainly not an entrepreneur. She has never created a company, she has always managed already existing departments. She has never initiated, not even as an employee, the creation of a branch or something similar. She is really an employee and not a creator. She is more of a manager, a director but not somebody who creates a company. In contrast, G created his own business at some stage, he has the same aspects as N as he has also directed, managed, administered, plus he has this additional dimension (of having created)...this is the difference we can put down... (Par exemple, si on prend les deux plus gros poissons qu'on a évoqués, Get N. N fait une belle carrière dans la banque, donc on peut dire qu'elle est plutôt à mettre du côté des dirigeants. Pour autant, elle n'est pas du tout entrepreneur. Elle n'a jamais créé de société, elle a toujours pris la direction de départements existants, elle n'a jamais, même en tant que salariée, été à l'origine d'une création de filiale ou quoi que ce soit. Donc elle est vraiment salariée et pas créatrice. Elle va plus être gestionnaire, dirigeante mais ça ne va pas être une créatrice. Alors que G a été créateur à un moment donné, donc il a les mêmes aspects que N parce qu'il a aussi dirigé, géré, administré mais, en plus, il y a cette dimension à laquelle il a touché. Voilà un peu la différence qu'on peut mettre entre...).

RK: *OK, this is the contrast between employee vs creator of an enterprise (Là, on a le contraste entre salarié et créateur d'entreprise).*

10.7.2 Prototype entrepreneur vs prototype salarié (prototype entrepreneur vs prototype employee)

Similar to BS, PP evaluates his network ties in terms of representing the prototype of an entrepreneur vs that of an employee. PP arrives at this concept comparing XD, an Ancien and a good friend with O, another Ancien, but not as good a friend as XD. The latter is for him the prototype of an entrepreneur; he is somebody who has many ideas, who is very dynamic. This contrasts with O, who started in his father-in-law's consultancy firm which was later taken over by a well-known international consultancy group. Nowadays he is an associate at this company and as PP emphasised it was, in particular, O's knowledge of legal aspects relevant to enterprise creation that was of interest to him and the project. The following extract details the conversation. I had asked PP to explain what XD and O had in common. He responded as follows:

He (XD) is a publicity guy, yes. This is somebody who has many ideas, who is very dynamic. For me he is really the prototype of an entrepreneur. In comparison, O is ... a finance guy. (Lui, c'est un homme de publicité, oui. C'est quelqu'un qui a beaucoup d'idées,

beaucoup de dynamisme. Pour moi, c'est vraiment le prototype de l'entrepreneur. Par rapport à ça, O est quelqu'un qui... C'est un homme de finance).

RK: *Has he also created?* (Est-ce qu'il a créé lui-même?)

PP: *No, he went to work for his father-in-law, which was taken over by P. Now he is an associate with the company. So he, what he would be interested in...I am much closer to XD, as my main interest in O was everything that I did not know...my lack of knowledge of legal aspects relating to enterprise creation. He brought this to the venture.* (Non, il est rentré dans le cabinet de son beau-père, qui a été repris par P. Maintenant, il est associé chez P. Donc lui, ce qui l'intéressait, c'est... Moi, je suis plus proche, bien entendu, de XD parce que l'intérêt que j'ai trouvé dans O, c'est tout ce que je ne... La méconnaissance que j'avais de l'aspect juridique, création d'entreprise. C'est ce qu'il m'a apporté).

RK: *For the creation of the company?* (Pour la création d'entreprise?)

PP: *Yes. And then for all legal aspects and accounting which for CB and I have never presented an important concern. It is true we were really lucky. Our concern was the development of the business and the turnover. But we never made any 5-year plans.* (Oui. Et puis tous les aspects légaux, comptables qui, avec CB, n'ont jamais représenté pour nous une préoccupation très importante. C'est vrai qu'on a eu la chance... Notre préoccupation a toujours été le développement de la société et les chiffres ont toujours à peu près suivi. Mais on n'a jamais fait des plans à cinq ans sur ce qu'allait être) (interview with PP on 06.10.2006).

An important aspect that emerges from this conversation is that PP feels much closer to XD, the entrepreneur than O, the consultant. It is rather the latter's professional competences that are of interest for PP and the new venture. As the entrepreneur emphasised, O's support was vital, however, as neither he nor his co-founder CB had any knowledge about the practical aspects of enterprise creation. The collaboration with O meant that both founders could focus on the development of the business instead of getting bogged down by the nitty-gritty bits of the creation itself. This took an enormous burden off the shoulders of the entrepreneurs.

The following section focuses on issues related to the entrepreneurial of network ties.

10.8 Entrepreneurial spirit

As already mentioned earlier, some entrepreneurs underlined the importance of their network ties having an entrepreneurial spirit, an aspect that I discussed in more detail in an interview with JMB on 25.08.2006 and with P&G when we were establishing their second grid on 23.05.2006. In particular, JMB's comments are very illustrative of the way he understands the term 'entrepreneurial mentality'. We were discussing a former colleague GQ, who works as a regional manager for the company running the motorway network in the South of France. He created a clothes brand many years ago and, although his idea was not successful, he is constantly on the lookout for new opportunities. For JMB this is somebody who creates permanently, although he is an employee. JMB concluded that having an entrepreneurial mentality does not

necessarily presuppose that somebody creates a business; in fact being entrepreneurial is possible in a salaried position. JMB's comment is very important as it shows that the entrepreneur appreciates ties that would classify as 'intrapreneurs' in the sense of Pichot (1985). The following extract illustrates this further:

JMB: Well, maybe this is a bit a bit vague the way I say it, but this is somebody who... He has never... He has always been an employee, but apart from his work as an employee he has also been the president of rugby club which he has not created himself ...He has created a brand of sportsgear and a company to go with it and has tried to develop it, but it never worked, but this did not keep prevent him from creating it. This is somebody who in general always wants to do things. Really. In a creative way... He wants to create a synergy between his club and his employer. He's constantly creating, in everything he puts his hands to. This is somebody who has ideas and who loves realising them. But strictly speaking he has always been a salaried employee. This is really somebody who, undertakes, who undertakes many things. He has not got the status of an entrepreneur, but being entrepreneurial is rather a way of life for him. (Alors oui, la façon dont je le dis, c'est peut-être un peu trop vague mais c'est quelqu'un qui... Il n'a pas... Non, il a toujours été salarié mais, à côté de son travail de salarié, il est président d'un club de rugby. Alors il ne l'a pas créé... Il a créé une marque de vêtements de sport, la société qui va avec et il a essayé de développer ça. Ça n'a pas marché mais n'empêche qu'il l'a créé... Et puis c'est quelqu'un qui, d'une manière générale, a toujours, en permanence, l'envie de faire des choses. Vraiment. Dans l'aspect création. Il a envie de créer une synergie entre son club de rugby et sa société. Voilà. C'est quelqu'un qui crée en permanence. Mais sur tout ce qu'il touche, en fait. C'est quelqu'un qui a des idées et qui aime les voir réalisées. Mais lui, à proprement parler, il a toujours été salarié. ... C'est vrai que c'est quelqu'un qui entreprend, voilà, qui entreprend des choses. Donc ce n'est pas son statut, entrepreneur, mais c'est son mode de vie. (interview with on 25.08.2006)

JMB hesitated, however, to label the opposite of '*mentalité entrepreneuriale*' just '*salariné*' (employee) as he felt that such an approach would be too reductionist and possibly pejorative. As he explained, some people like his girl-friend do simply not feel the need to create, others do:

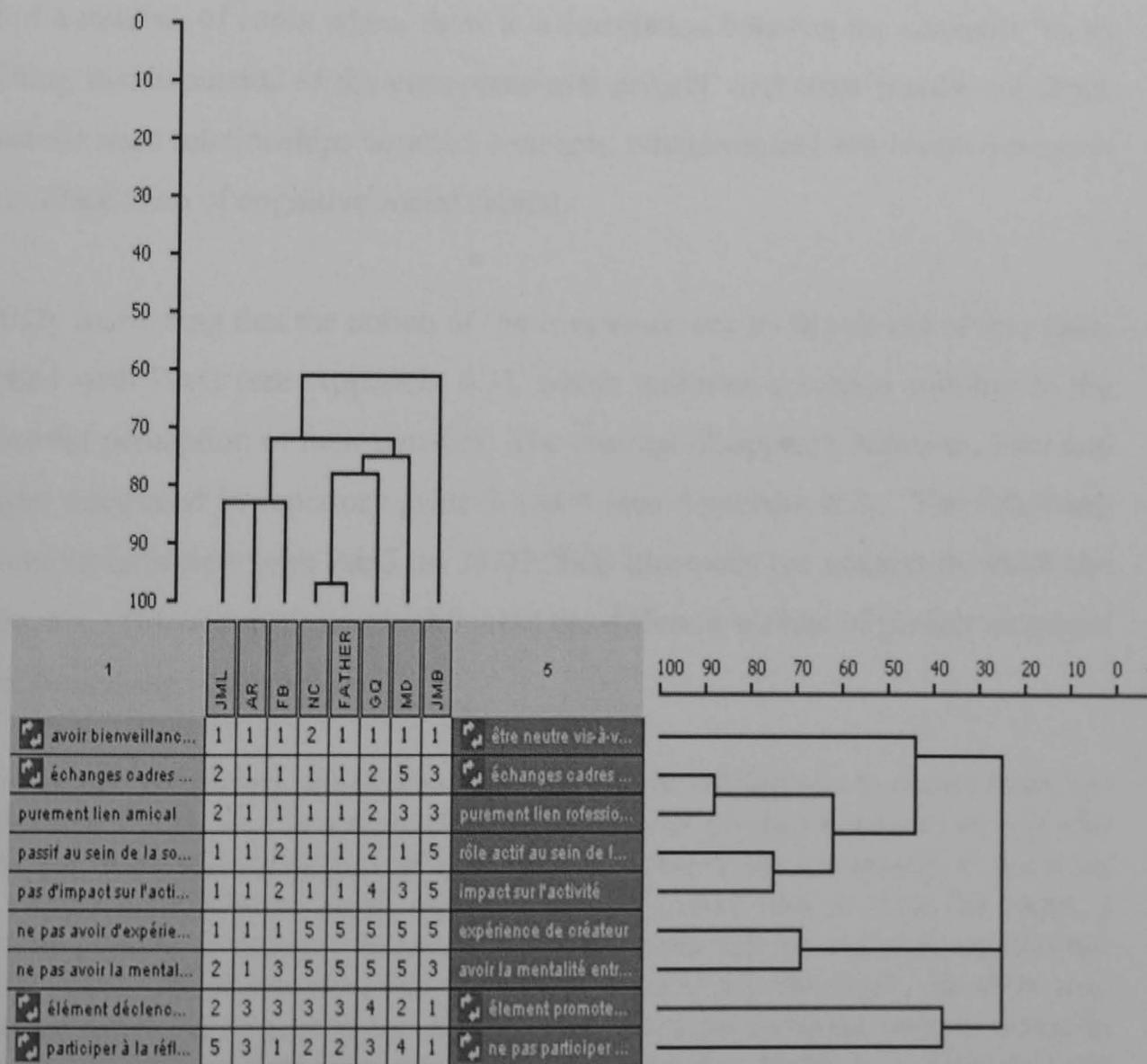
There are people who feel the need to create, who have the passion, the ideas, and the right mindset and other people, other types of people who do not feel this need to create and don't have the mindset that goes with it. (Il y a des gens qui ressentent le besoin de création, qui en ont l'envie, les idées et la tournure d'esprit et d'autres gens, d'autres types de personnes qui ne ressentent pas le besoin de création et qui, du coup, n'ont pas la tournure d'esprit qui va avec.) (interview with JMB on 25.08.2006)

As he later emphasised:

There are different types of creations. GQ created a company once but since then he has done a lot of things very similar to enterprise creation, for non-profit organisations as well as at a personal level. So these are very similar things (Et puis il y a diverses formes de création aussi. GQ., il a créé une société une fois mais il a pourtant fait des choses qui se rapprochent de la création d'entreprise, plein de fois. Au niveau associatif, au niveau personnel. Voilà. Des choses qui s'en rapprochent).

JMB associated the idea of being an entrepreneur and/or having an entrepreneurial spirit with the idea of '*bienveillance vis-à-vis la réussite du projet vs être neutre vis-à-vis la réussite*' (benevolence towards the success of the project vs being neutral towards the success of the project). As JMB's repertory grid shows the entrepreneur consistently ranks four people (MD, GQ, NC and his father) at 5 in terms of them having an experience as entrepreneurs, possessing an entrepreneurial mindset but also taking a supportive approach towards the success of his project. The cluster analysis of JMB's grid in Figure 10.1 shows the close relationship between these three both concepts.

Figure 10.1: JMB's cluster analysis



Dendrogram Grid: - Client:

The next section explores the key distinction ‘nouv vs. vous’, us vs them.

10.9 Nous vs Vous

The third important category that emerged from the analysis of the repertory grids was the bipolar construct ‘*Nous vs Vous*’, *us vs them*. Some entrepreneurs such as P& G had assessed their network ties in terms of whether people were in-or outside the project. In P&G’s 1st grid we integrated the concept ‘*avec nous vs convaincre*’ (with us versus need to convince). The same idea re-occurred in P&G’s 2nd grid where the concept was renamed to ‘*dans le projet avec ‘nous’ and exterieur du projet ‘vous*, (in the project with ‘us’ and outside the project ‘them’). Other entrepreneurs such as PP had used a similar distinction, ie. ‘*être dedans vs être à l’exterieur*’ (being inside vs outside) and AC differentiated ties in terms of ‘*être dans le projet vs être hors du projet*’ (being in the project vs outside). A closer examination of these concepts has highlighted a number of cases where there is a correlation between the concepts ‘us vs them’, ‘being inside/outside of the entrepreneurial project’ and other bipolar concepts. I will illustrate such relationships between concepts, whenever and wherever relevant to the present discussion of cognitive social capital.

It is certainly interesting that the notion of ‘*nous vs vous*’ occurs in two out of four grids I established with P&G (see Appendix 6.3), which indicates a certain stability in the entrepreneurial perception of their network. The concept disappears, however, later and is no longer integrated in repertory grids 3 and 4 (see Appendix 6.3). The following extract from an interview with P&G on 24.02.2006 illustrates the context in which the concept occurs. The entrepreneurs highlighted the different visions of project members right at the beginning of the project.

P/G: This is a special history which illustrates in fact the willingness to create from two parties, this was P who was in a team that developed this product here and myself who was in another team, there was four of us, three other people and eventually P, his team won the competition (Grand Jury) and then the objective was to join his team, I accepted immediately, of course. From the other three one left immediately and did not even do the Grand Final and the other two stopped three months later. So there was just the two of us on the project. (C'est une histoire un peu spéciale qui illustre en fait la volonté de création des 2 côtés, c'est que P était dans une équipe il a développé ce produit là, ... j'étais dans une autre équipe, en fait j'étais avec 4 autres personnes, 3 autres personnes oui et après finalement P, enfin son équipe à gagné le grand jury, et puis voilà le but c'était dans l'aller dans l'équipe, j'ai accepté tout de suite bien sûr. Les 3 autres personnes y'en a sur les 3, 1 qui a arrêté tout de suite et qui n'a pas fait le grand oral et les 2 autres personnes ont arrêté 3 mois après. Donc là maintenant on est à 2 sur ce projet).
R.K: and why did they stop? (et c'est pourquoi ils ont arrêté?)

P/G: *They did not have the same vision of the project, they saw this as a game but they did not see themselves as creating a company at 21, this was impossible for them (ils n'avaient pas la même vision du projet, ils voyaient plus ça pour un jeu ils se voyaient pas créer une entreprise à 21 ans, c'était pas possible)*

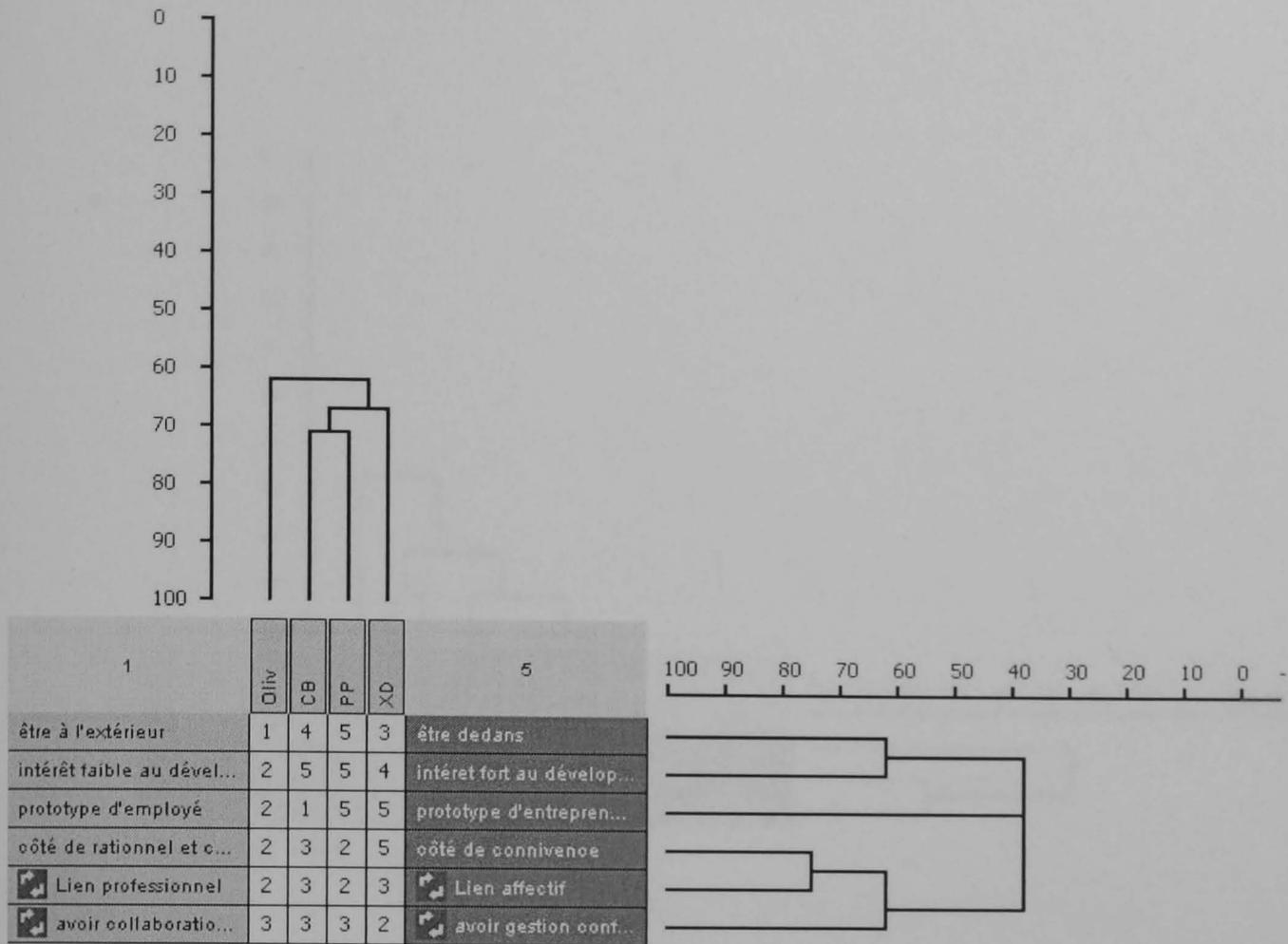
R.K: *So the key word is **vision** (donc c'est le mot clé *la vision*).*

P/G: *It is very important to have the same vision of the project to work together. They also wanted to privilege their studies, this means going abroad, going to university etc rather than the project, whereas we were linked by the vision, for us it was the project before everything else (c'est important d'avoir la même vision du projet pour travailler ensemble. Elles ont voulu aussi privilégier leurs études entre guillemets c'est à dire partir à l'étranger, université etc. avant le projet. Tandis que nous ça recoupe avec la vision, nous c'est le projet avant tout).*

As we can see from this short extract the major difference between P & G and the rest of the initial team was the *vision* that they shared. Whereas for the others the entrepreneurial project had been a game which they had to pursue as part of their first-year studies at the Grande Ecole, P&G wanted to make this project become real. They shared the same desire to take the project forward. Those who did not want to pursue the same goals left the team. This is very similar to MB's case where team members such as F and Ant left the team as they no longer shared the same vision but preferred to pursue their own project such as working for a large company in the case of F or creating his own business in the case Ant (interview with MB on 01.03.2006 and AL on 17.07.2006).

This is similar to PP's case, where the cluster analysis revealed that the concept of being in- vs. outside of the entrepreneurial project correlates with ties having a strong/weak interest in the development of the company. A greater involvement in the project was perceived by the entrepreneur as a stronger interest in the development of the business. Figure 10.2 shows the cluster analysis of PP's repertory grid and highlights the close relationships between the bipolar concepts '*être à l'extérieur vs être dedans*' and '*intérêt faible au développement de l'entreprise vs intérêt fort au développement*', but also the proximity of the co-founders PP and CB with XD, whose input to the entrepreneurial venture I discussed earlier in section 10.6.2.

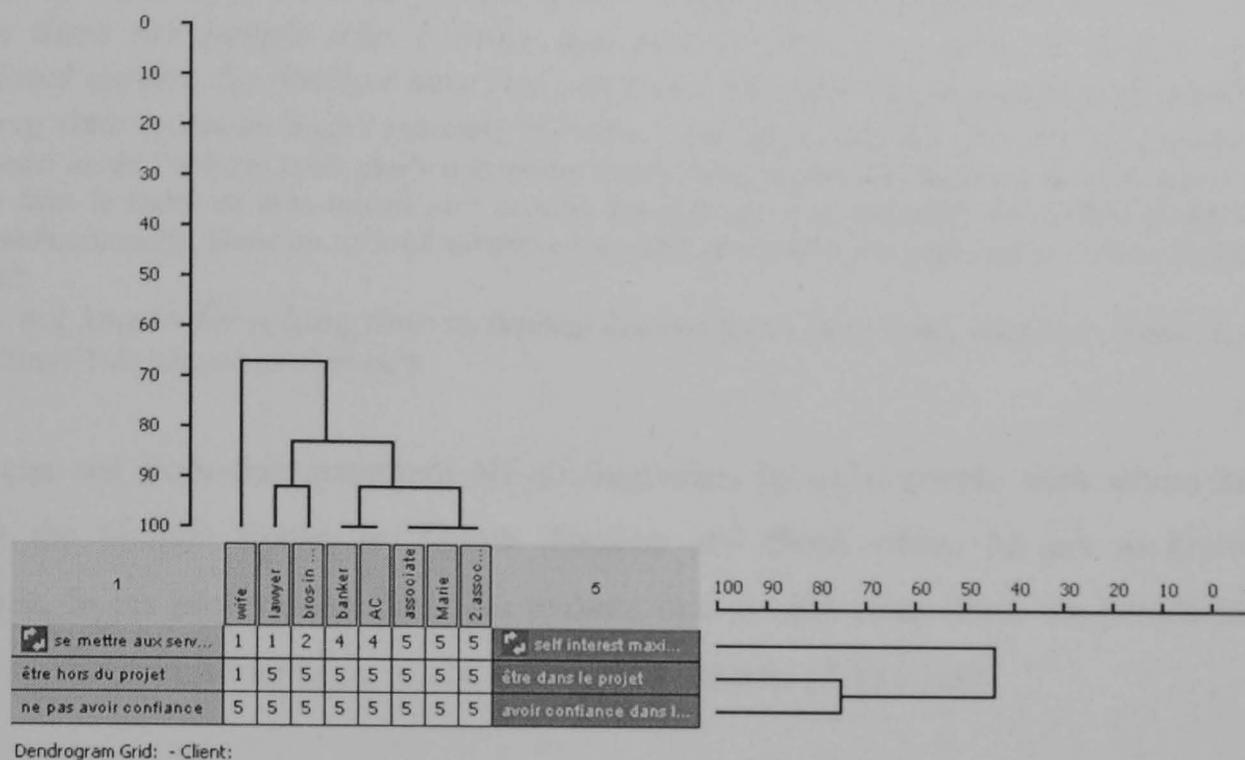
Figure 10.2: PP's cluster analysis



Dendrogram Grid: PP entrepreneurial networks - Client:

In the case of AC being inside the project is closely linked to the idea of having trust in the people of his entourage. As the cluster analysis showed (see Figure 10.3) he had a very close relationship with virtually all his network ties and for him somebody inside the project, represented by the concept *'être dans le projet vs être hors du projet'* was closely related to the idea of him trusting this tie, reflected in the concept *'avoir confiance dans les gens de mon entourage vs ne la pas avoir'* (trusting people in my entourage vs not trusting them). As Figure 10.3 shows, virtually every tie is ranked at 5 on both concepts except for AC's wife, whom he trusts, but who is not integrated in the project, ie. rated 1 for being outside.

Figure 10.3: AC's cluster analysis



This section has illustrated the entrepreneur's perception of network in terms of us vs them. The next section will illustrate the importance of being an Ancien for the perception of the individual entrepreneur.

10.10 The importance of being Ancien

10.10.1 The historicity of the tie

An important theme that has already permeated the findings in Chapters 8 and 9 is the involvement of Anciens in the entrepreneurial project. Although only two entrepreneurs, SLB and NF, integrated this idea in their repertory grid, we find that in virtually every case, except for LS and YC, Anciens are involved in the different roles and with different contributions at the pre-organisation stage. The following extract shows how NF and I arrived at the concept. We were discussing the three ties L, Y, and R, all Anciens, during our interview on 01.03.2006. R and L are also good friends of NF, Y is a friend of R.

RK: *For the last three (L, Y and R) we have found that they went to the school together. If we take this concept, what would be the opposite? (Ok, là sur les trois derniers on a trouver aussi même école. Si on prenait ça comme concept, qu'est-ce qu'il y aurait de l'autre côté?)*

NF: *So having studied together and the opposite?... These are people from the professional universe or from the private sphere rather than the Grande Ecole. We can say that these are people who I either had met at work or before, ie. before my professional career. So finally I have realised that I have known the majority of people for a long time (Alors les études ensemble et l'autre... En fait ce sont des gens issus de l'univers professionnel ou de l'univers privé plutôt que même l'école. On pourrait dire qu'il y a les gens que j'ai rencontré dans le cadre de mon travail, soit ce sont des gens que j'ai rencontré avant, donc avant la carrière professionnelle. Donc on se rend compte que ce sont en majorité des gens que je connais depuis longtemps).*

RK: *So, not known for a long time vs having known for a long time, that's it. (Donc. Pas très longtemps/Très longtemps c'est ça?)*

As we can see from this statement NF distinguishes between people with whom he went to the Grande Ecole, ie. fellow Anciens and those whom he got to know afterwards, in his professional life. He realises that in both cases these are people he has known for quite some time, ie. the historicity of the tie plays a role.

10.10.2 Same referencing framework, intellectual quality and solidarity

In a later interview on 05.07.2006 I asked NF why he involved Anciens in his entrepreneurial project as employees or partners to set up franchising businesses. At the time of the interview one of NF's friends R was in the process of setting up a franchise in L. NF illustrated the situation as follows:

Why? Because, I realised that in particular for management positions, with a lot of responsibility, I need people who have a similar profile to me. For two reasons: The first is that it is much easier to create ties with people if they have the same referencing framework, if you were educated similarly, if you have the same understanding of enterprise. That's it. And these are people with the same intellectual level. Well and why Anciens? Because this is really a network that is easy to access, easy to put in place. As, a priori we have one point in common which is the school. So this is much easier to target than the Anciens of EDHEC or HEC or any other ..(Pourquoi? Ben parce que, en fait, je me suis aperçu que, notamment dans les postes de management à forte responsabilité, j'ai besoin de gens qui ont un peu le même type de profil que moi. Pour deux raisons. La première, c'est que c'est plus facile pour créer du lien avec les gens si on a le même cadre référentiel, qu'on a été formé pareil, qu'on a la même compréhension de l'entreprise. Voilà. Et c'est des gens d'un même niveau intellectuel. Voilà. Et pourquoi les anciens? Parce que c'est vraiment un réseau qui est facile d'accès, qui est facile à mettre en œuvre. Parce qu'il y a a priori un point en commun qui est l'école. Donc c'est plus facile que d'attaquer des anciens de l'EHEC ou de HEC ou je ne sais pas quoi).

As this short extract shows, NF emphasised the importance of a '*cadre référentiel*', the same referencing system, the same intellectual level and the same understanding of enterprise as reasons for why he involved Anciens. Sharing such characteristics with ties is only possible if they went through the same education system and were taught

the same understanding of the business world. In addition, the Association des Anciens facilitates access to such ties. I asked him, however, whether he trusted these ties. He responded as follows:

NF: *No, not necessarily, not necessarily* (Non. Pas forcément. Non, pas forcément).

RK: *Because you know, it is ...; yes this is it. In all the interviews I have made when I was talking to people who had employed other Anciens, they never mentioned trust.* (Parce que, tu sais, c'est... Oui, c'est ça. Dans tous les entretiens que je fais, quand je parle à des gens qui ont embauché des anciens (inaudible), on n'a pas parlé de confiance).

NF: *No...I don't trust anybody who is a graduate from the ESC more than anybody else. Because I don't know him necessarily better. Unless he is from the same Promo and I have known him for...This is the case for R, for instance in L. In his case it is obvious that I trust R. But similar...I will probably set up another franchise at T with DG, who is also from the same Promo as us, ie. 1992, and it is the same. If I want to take DG as an associate, it is because I trust him. Because this is somebody who I know well and whom I have known during the three years at school. There the question of trust plays a role. But otherwise, if through the network of the Anciens I meet a guy from the Promo 1995 I would not have any reason to trust him more than anybody else.*

(Mais je fais pas plus confiance à quelqu'un qui est de l'ESC Rouen. Non parce que je ne le connais pas forcément plus. Alors, sauf si c'est quelqu'un de la même promo que moi et que je le connais depuis... Ce qui est le cas de R, par exemple, à Lyon. Là, c'est clair que ce qui est intéressant, c'est que je lui fais vraiment confiance, à R. Mais pareil pour... Là, je vais ouvrir probablement à Tours avec DG, qui était de la même promo que nous, en 1992, et c'est pareil. Si je veux m'associer avec DG, c'est parce que j'ai clairement confiance en lui. Parce que c'est quelqu'un que je connais bien et que j'ai connu à travers les trois années d'écoles qu'on a faites en commun. Donc là, la notion de confiance joue. Mais autrement, à travers le réseau des anciens, si je vois un mec promo 1995, je n'ai aucune raison de lui faire plus confiance que quelqu'un d'autre).

As NF clarified in this brief extract, the fact that somebody had graduated from the same Grande Ecole did not automatically engender more trust in him/her. However, in the case of those Anciens, who were part of his Promo, he graduated in 1992, and whom he has known for some time, trust would play a role. Hence it is rather the combination of the historicity of the tie and being Ancien that plays a role.

Similar to NF, PP tends to employ Anciens. Whilst working for a small firm that was later bought by a well-known Italian coffee company S, PP recruited the young CB, an ESC graduate, who had just finished his military service in the early 1980s. CB initially started as 'Chef de Produit', he stayed with company S for three years. He later joined the ESC as Marketing professor, but left the Grande Ecole to create SAPP together with PP. CB is, however, not the first Ancien recruited by PP, there were others before him. Seeing a pattern in PP's recruitment processes I asked him to explain this in more detail.

RK: *Why do you recruit like this?. (Pourquoi recrutez-vous comme ça?)*

PP: *From the ESC Rouen? On the one hand I believe that there is a certain guarantee of intellectual quality. And then there is an obvious solidarity of the Anciens with the newly qualified ones. It is logical to integrate graduates from the ESC in companies in the region. Because what the Chamber of Commerce says is correct. This means that the ESC Rouen educates students and 90% of them leave the region, this is a bit sad.* (A l'ESC Rouen? D'une part, j'estime qu'il y a une garantie de qualité intellectuelle. Et puis il y a une solidarité évidente des anciens par rapport aux nouveaux. Il est logique d'essayer d'implanter l'ESC Rouen dans les entreprises de la région. Parce que ce que dit la chambre de commerce est assez juste. C'est-à-dire que l'ESC Rouen forme des étudiants et 90% s'en vont en dehors de la région, ce qui est un peu dommage) (interview with PP on 06.10.2006).

He later expanded on this

It is a state of mind. I think that the ESC Rouen has a particular state of mind, people with a good education and graduates who do not take themselves as serious as those who graduated from HEC or ESSEC. (Un état d'esprit. Je pense que l'ESC Rouen a un état d'esprit particulier, des gens qui ont une bonne formation et qui ne se prennent peut-être pas aussi au sérieux qu'un HEC ou un Essec, ce qui est quand même assez intéressant.

RK: *So this makes a difference? (Ça fait une différence?)*

PP: *Yes, it makes a difference. I have also worked with graduates from HEC... But they were not necessarily better.* (Oui, je pense que ça fait une différence.. Si, j'ai eu l'occasion de travailler avec des HEC et... Bon, ce n'était pas forcément supérieur).(interview with PP on 06.10.2006).

Similar to NF, PP emphasised the intellectual quality of ESC graduates as a major reason for why he chose to recruit them over others. PP has worked with graduates from top Parisian Grande Ecoles such as HEC and but he prefers those of the ESC as they take themselves less serious and, as he emphasised, there is not much of a difference between them, anyway. A second aspect is the solidarity between ESC graduates, those in employment try to help those who are seeking employment, which creates the impression of closed community

This part of the Chapter has discussed in detail the way the entrepreneur perceives of his/her network ties and I have discussed the importance of the Ancien for the entrepreneurial venture. The following third part will look at individual entrepreneurial traits and characteristics that entrepreneurs identified in their network ties.

10.11 Entrepreneurial traits/characteristics

10.11.1 Introduction

The nature of the entrepreneurial character is a continuing theme in the literature on small business and entrepreneurship and a range of different models have aimed to shed light on the entrepreneurial personality such as Kets de Vries (1977)'s psychodynamic model, Gibb & Ritchie's (1981) social development model and the trait approach which

all aim to discover the traits or cluster of traits that distinguish the entrepreneur from other groups (Chell 1995). Indeed much research into entrepreneurship has endeavoured to discover a single trait or constellation of traits which would distinguish the entrepreneur from other groups in society (Chell 1995, Gartner 1989), which, to some extent, has been a futile attempt not resulting in one single model of the entrepreneur, but a long list of entrepreneurial traits and characteristics associated with entrepreneur. We find, for instance, that much attention has focussed on 'need for achievement (nAch), locus of control, desire for autonomy, deviancy, creativity and opportunism, risk-taking ability and intuition (Kirby 2004), with the most commonly applied theories being McClelland's (1961) theory of the need to achieve, and Rotter's (1966) locus of control (Littunen 2000). Shane et al. (2003) identified similar concepts, yet also added 'tolerance for ambiguity', self-efficacy, goal setting, independence, drive, egoistic passion'. There are also researchers such as Casson (1982) who included the ability to take risks, innovativeness, and knowledge of how the market functions, manufacturing know-how, marketing skills, business management skills and the ability to cooperate. In addition, Caird (1988) put forward aspects such as a good nose for business and the ability to identify and grasp business opportunities as well as correct errors effectively.

As mentioned earlier, the majority of the repertory grids contained the key distinction of whether network ties were of an entrepreneurial nature or not. In addition, a number of entrepreneurs included entrepreneurial traits/characteristics, some of them very similar to what we find in the literature, in their grids. The following discussion will focus on the key entrepreneurial traits/characteristics that emerged from the 17 repertory grids. Table 10.2 provides an overview of the latter of the different traits and characteristics as well as the cases where the information was found.

Strategic vision	Vision stratégique du business vs approche opérationnelle (NF) Etre opérationnel vs être manager (GK) Vision long terme vs courte terme (GK)
Risk taking	Prudence vs impulsivité (YC) Prise de risqué vs pas de prise de risque (CB)
Creativity vs rigidity	Créativité vs rigidité (YC) or prudence vs impulsivité (YC) Chercher des nouvelles tendances vs être classique (E)
Dependence/independence	Detachment affective vs dépendence affective (R) Detachment commercial vs dépendence commercial (R) Dépendence vs independence (P & G 4 th grid) Executant vs décisionaire/dirigeant (MB, BS) Rendre les comptes vs pas les rendre (P & G 4 th grid)
Intelligence	Approche analytique et intellectuelle vs approche intuitive (YC) Intelligence spatiale vs lineaire (GK) Porter à l'action vs porter à la réflexion (GK) Participer a la reflexion sur la societe vs pas y participer (JMB) Etre analytique vs intuitif (NF)

10.11.2 Strategic Vision

Mitton (1989) introduced the idea of the entrepreneur who sees a big picture perspective, spots unique opportunities and makes a total commitment to his/her cause. His entrepreneur sees a need for total control, has a utilitarian view of what is right, welcomes uncertainty, uses contacts and connections, embraces competence and possesses a special know-how. As Mitton (1989) put it, "Entrepreneurs can see the forest as well as the trees. They see the total scene as well as its parts and how the parts affect each other. They put environment, people, events, information, and technology into understandable perspective. They understand the policies, procedures, and rules of a system. At the same time, they are sensitive to its externalities – the influences that are outside the system. ...Their global view so opens the horizon that they see an opportunity-filled environment with choices rather than restrictions. All systems are "go". They not only know how the system works, but how to work the system" (p.11).

There are a number of bipolar concepts that reflect Mitton's idea of a strategic vision. In detail, these are '*vision stratégique du business vs approche opérationnelle*' (having a strategic vision of business vs an operational approach) (NF), '*être exécutant vs être décisionnaire/dirigeant*' (carrying out orders vs. being decision-maker/manager (MB, BS), '*être opérationnel vs être manager*' (being operational vs being a manager) (GK) and having a '*vision long terme vs courte terme*', (having long term vs short-term vision (GK).

The first concept '*vision stratégique du business vs approche opérationnelle*' occurred in the conversation with NF on 01.03.2006. ST and S are members of NF's Conseil d'Administration, the Advisory Board. As NF points out, they share '*la vraie vision stratégique du business*' which he contrasts with an operational approach, i.e. the day-to-day running of the business. As he highlights:

NF: What they have in common, these are people who, professionally speaking, are high performers and they share both a really strategic vision of business. (Ensuite qu'est-ce qu'ils ont en commun, ce sont des gens qui sont très performants professionnellement et qui partagent l'un comme l'autre une vraie vision stratégique du business).

NF: The opposite is the operational side of the business, for me this is obvious, but the professional performance, I find this a bit difficult... (Le contraire ce serait approche opérationnelle du business). Là pour moi c'est évident. Mais la performance professionnelle, j'ai du mal à....).

RK: Personal perhaps? (Personnelle peut-être?)

NF: Yes, this may be right but I don't know whether performance is the right word but it is the right idea. There are those who privilege the personal aspect and others the professional. These two privilege, however, the professional side. Yes, that's it (Ah, oui, c'est très bien, ...absolument alors je ne sais pas si c'est performance le bon terme mais l'idée c'est ça. Il y en a qui privilégient l'aspect personnel, d'autres l'aspect professionnel. Ces deux-là ils privilégient, quand même, à fond le professionnel. C'est ça). (interview with NF on 01.03.2006)

As NF's repertory grid shows, he rated himself at 2 for this particular concept as he felt that he was more operational than strategic.

GK expanded on this theme when he added a temporal element to the notion of 'vision'. He categorised his network ties in terms of the bipolar concept '*vision long-terme vs vision courte-terme*' (long-term vision versus short-term) which emerged from the interview on 26.07.2006. We were discussing two of GK's customers Ca and CL and J, a former colleague, an engineer. GK pointed out the differences in their vision in terms of the time horizon which would perhaps stretch from three to six months for the client CL and the engineer J, which compares with Ca, who would base his predictions on a 2 to 3 years forecast. As GK underlined, an operational person acts within a very short time frame contrary to a manager, who would look to the future, two to three years in advance. GK later integrated this idea as '*être opérationnel vs être manager*'

in his grid. When I asked him to rank himself, he rated himself at 3, combining aspects from both poles. The same was the case for the concept '*vision long-terme vs vision courte terme*'.

What they have in common, is their very operational vision. In contrast to C, CL and J think in a time frame of rather ...perhaps 3 to 6 months. And with C we are talking about predictions that cover 2 to 3 years. (Ce qu'ils ont en commun, c'est aussi une vision très opérationnelle. Par opposition à Cl. Ca et Jérôme, ils vont réfléchir sur un horizon de temps qui va être plutôt de l'ordre de... Peut-être de trois à six mois. Et, avec Claude, les discussions qu'on a sont des discussions qui portent sur les prévisions à deux, trois ans).

RK: *So, much longer term* (Ah oui. A plus long terme).

GK: *Yes, like every manager* (Oui. En fait, comme tout manager).

RK: *He is very managerial?* (Il est très manager?)

GK: *Yes, he is very managerial. And why? Because in any case his work, but this is true for Ch as well, their daily work, is not about considering a time frame of 3 months because this is already the past. It is about looking into the future in order to predict. An engineer is ...This is somebody who resolves problems. His role may be eventually to foresee problems, but this is very operational. But it is not him who ...In fact, J will not describe a future organisation, you will tell him what the future organisation has to be like and he will realise it for you* (Oui, il est très manager. Et pourquoi? Parce que, de toute façon, le boulot... Mais alors c'est vrai aussi, par exemple, de Ch. Leur boulot au quotidien, à eux, ce n'est pas de regarder à trois mois parce que ça, c'est déjà passé, en fait. C'est clairement de regarder plus loin pour pouvoir prévoir. Un ingénieur comme ça. ... C'est nécessairement quelqu'un qui résout des problèmes. Alors son rôle, c'est éventuellement de les prévoir mais c'est déjà très opérationnel. Mais ce n'est pas lui qui va... En fait, J, il ne décrit pas une organisation future. On lui dit quelle sera l'organisation future et il la met en place). (interview with GK on 26.07.2006)

10.11.3 Risk-taking

Researchers tend to disagree who to credit for having associated the entrepreneur with risk taking. Whereas Shane (2003) underlines that risk-taking propensity emerged from McClelland's (1961) original research on entrepreneurs which suggested that individuals with high achievement needs would have moderate propensities to taking risks, Kilby (2004) credited Cantillon with being the first to describe the entrepreneur as a rational decision maker who assumed risk and provided management for the firms. Conversely, Schumpeter (1934) suggested that Mill (1848) had pointed out the key distinguishing feature between the manager and the entrepreneur as that of bearing risks, yet Schumpeter himself insisted that risk bearing should not be a trait of the entrepreneur. In this research few entrepreneurs had included the notion of risk taking and related concepts in their grids and hence in their evaluation of their network ties, one of them was CB who discussed the notion of risk taking with me in an interview on 23.08.2006, the other is YC. The latter integrated the bipolarity '*prudence vs impulsivité*' in his repertory grid and CB applied the concept '*prise de risqué vs pas de prise de risque*' to his network ties. The latter specifically relates to the risk the

franchiser PC, the supplier M and the buyer C take when they work with the business that is to be created, YC's bipolar concept of '*prudence vs impulsivité*' relates to more cognitive structures of the network ties. I will discuss these cases in more detail in the following sections.

CB's evaluation of his entrepreneurial ties in terms of risk taking is very illuminating as it reveals the correlations between different concepts. As emerged from the conversation the entrepreneur closely associated risk taking with network ties having faith in the project, in the entrepreneurs themselves.

CB: *The contrast is perhaps for me rather in the practised profession by some. This means that these two brought their expertise to the project. On the one hand their professional expertise and acceptance...finally a type of trust or acceptance of risk taking. The risk for PC was zero. We would sign a contract with him anyway. We had to guarantee certain minima. In the worst case we would not sell anything, and we would not pay him his royalties but he would not lose much. He would even have the right to ask for a minimum of royalties in exchange for the signed contract. Here the risk was much more important for the people like this one who put a bit of their image in the company, their job. Somebody could have told them: Why are you trusting this company? Or he is the director of the company. It was his problem but he could have messed it up or done something that would not have worked and have regretted it afterwards. Here we have another combination: Risk taking, even with a certain trust. Versus zero risk taking. Risk taking and a professional proximity, I would say. Effectively there they told us: We can sell your coffee on a large scale. You are wholesale professionals. And there: we want to make a coffee of good quality, you know how to make very good coffees. So we had to sell them the idea that the concept would be viable and that we believed in our project. After that in terms of legal advice I would not say that anybody could have signed the same thing but it is almost like that. If you have a legal adviser to create a business everybody can do it. The legal adviser will do his analysis, he will say: Yes, this seems good to me or not but this is not what makes the difference. He is not going to tell you: No. Dont create this business as you are walking into a real catastrophe.* (Le contraste est peut-être plus, pour moi, dans le métier pratiqué par les uns et les autres. C'est-à-dire que ces deux-là nous ont apporté leur expertise métier. D'une part leur expertise métier et l'acceptation.. Enfin, une forme de confiance ou d'acceptation de prise de risque. Le risque, pour PC, il est nul. De toute façon on signe un contrat. On devait garantir des minima. Dans le pire des cas on ne vendait rien, on ne payait pas nos royalties mais enfin, bon, lui ne perdait rien non plus. Il était même en droit éventuellement d'exiger un minimum de versements de royalties en contrepartie du contrat signé. Là, le risque était beaucoup plus important pour des personnes comme celle-ci puisque, bon, elles mettaient un petit peu en jeu l'image de leur entreprise, leur poste. On pouvait leur dire derrière: "Qu'est-ce que tu es allé faire confiance à cette société-là?" ou... Mais lui, c'était le patron de la boîte...C'était son problème à lui mais il pouvait quand même se prendre une gamelle ou faire quelque chose qui ne marche pas et puis le regretter derrière. Donc là on a encore une combinaison, je dirais. On a une prise de risque, même avec une certaine confiance. Versus prise de risque zéro. Une prise de risque et une proximité métier, je dirais. Effectivement, là, nous, on disait: "On veut vendre ce café en grande distribution. Vous êtes un pro de la grande distribution" et là: "On veut faire un café de bonne qualité. Vous savez faire de très bon cafés." Donc nous, ce qu'on avait à vendre, c'était le fait que le concept soit valable et qu'on croyait à notre projet. Après, dans le cadre d'un conseil juridique, je ne dirais pas que n'importe qui aurait pu venir signer la même chose mais presque. Avoir un conseil juridique pour créer une entreprise, n'importe qui peut le faire. Le conseil juridique va avoir une

analyse. Il va dire: "Oui, ça me semble bien" ou "pas bien" mais ce n'est pas ce qui va... Il ne va pas vous dire: "Non. Surtout, ne créez pas votre entreprise parce que vous allez à la catastrophe.")

RK: *OK, what shall we put? Risk taking and a certain trust* (OK. Donc là, on met prise de risque et une certaine confiance)

CB: *Yes. Risk taking. And here zero risk taking* (Oui. Prise de risque. Quand même. Et là, lui... Bon. Prise de risque zéro).

RK: *Zero risk taking?* (Zéro prise de risque?).

CB: *Yes absolutely. Because there ...it is symptomatic. Here we paid before we started. We did not pay the royalties immediately but we should have. And here these people trusted us and we paid them much later. So in terms of money it is very revealing.* (Oui. Absolument. Parce que là, on a... C'est symptomatique. Là, ici, on a payé avant de commencer quoi que ce soit à ces gens-là. Enfin, on n'a pas payé les royalties tout de suite mais on les aurait payées. Et là, ces gens-là nous faisaient confiance et on les payait plus tard. Donc, sur le simple élément argent, c'est assez révélateur) (CB is comparing C, the legal adviser, PC, the franchiser with M, the supplier and C, the buyer).

CB: *Ok, this is very interesting. Pay immediately and there pay...*(Ça, c'est intéressant. Payer tout de suite. Et là payer...)

CB: *Maybe I exaggerate a bit by saying immediately as the legal adviser gave us a bit of time.... But for him the risk...in any case the capital we had at the time would have covered the legal costs. In terms of the coffee this would have been much more difficult. And the second aspect for me is the professional proximity. This means we are in a universe we know in terms of the profession which is very close and there in terms of a professional universe that is not related.* (J'exagère peut-être en disant payer tout de suite parce que le conseil juridique a dû nous faire un peu... Mais, pour lui, le risque... De toute façon, le capital qu'on avait aurait financé l'aspect juridique. Sur le café, c'était beaucoup plus difficile. Et le deuxième point, pour moi, c'est la proximité métier. C'est-à-dire que là, on est dans un univers de référence, en termes de métier, qui est très proche et là, on est dans un univers de référence en termes de métier qui est très éloigné).

RK: *So professional proximity versus distant profession.* (Donc métier proche versus métier éloigné)

CB: *Very good* (Très bien).

RK: *What can we say about trust? Trust in you?* (Est-ce qu'on va mettre quelque chose sur la confiance? La confiance en nous?)

CB: *Yes, there was... an aspect of trust. Yes, certainly, I agree. Trust, yes. Absolutely, trust, having faith in the project, yes* (Oui, il y a... Il y a l'aspect confiance. Oui, tout à fait. Je suis d'accord. La confiance. Oui. Absolument. Croire. Croire dans le projet, oui)

RK: *Believing.* (Croire).

CB: *Because trust can be: Yes I trust this person there. He is honest, he seems nice, this is somebody good but there is also the aspect of believing that he has potential. But this idea of believing in somebody's potential is much more ambiguous. Because normally PC would not sign a contract if he does not think that there is potential in it. Well, for the legal adviser this is not very important, he has his own conviction but that does not keep him from creating the business. For PC...he could also say: well, their project is not bad, perhaps not 100% ok, but I will take some guarantees. These other people had to have 100% faith in the project in order to get involve* (Parce que la confiance, ça peut être: "Oui, je fais confiance à ce type-là. Il est honnête, il m'a l'air sympa, c'est quelqu'un de bien" mais il y a aussi le fait de croire qu'il y a un potentiel. Alors là, c'est plus ambigu, le fait de croire dans le potentiel. Parce que, normalement, PC ne doit pas signer un contrat s'il ne pense pas qu'il y a un potentiel...Bon, le conseil juridique, à mon avis, c'est anecdotique. Lui, il a sa conviction mais ça n'empêche pas de créer la société. Pour PC...C'est-à-dire qu'il peut se dire aussi: "Bon. Leur projet me semble pas mal. Peut-être pas OK à 100% mais, de toute façon, je prends des garanties." Ces gens-là, en s'engageant, il fallait qu'ils soient à 100% confiants dans la réussite du projet).

RK: *So it is rather at the level of trust/faith?* (Donc qu'est-ce qu'on fait du niveau de confiance?)

CB: *I would say that for the legal adviser having faith/trust is not important. Finally zero. For PC, it is rather average. He needs at least a minimum of faith in the project.*

(Je dirais que, sur le conseil juridique, faire confiance, c'est anecdotique. Enfin, zéro. Pour PC, c'est moyen plus, là. Il faut quand même qu'il ait un minimum de confiance dans le projet).

RK: *That's it. What is the difference between trusting you or believing in the project or ... are these ideas different?* (C'est ça. Donc est-ce que c'est différent avoir confiance en vous et croire dans le projet ou... Les deux notions sont-elles différentes?)

CB: *No, it is the same thing, but I think it is rather about believing in the project. The trust of the individual is due to...*(Non, c'est la même chose mais je pense que c'est plutôt croire dans le projet. La confiance envers les individus, après c'est dû...)

RK: *Having faith in the project* (Croire dans le projet).

CB: *Yes* (Oui).

RK: *So as a contrast do we have 'not believing in the project'?* (Et, en contraste, on aurait ne pas croire dans le projet?)

CB: *No. It is not the fact of not believing. It is rather the fact of saying that this is not the engine of the relationship* (Non. Ce n'est pas le fait de ne pas croire. C'est le fait de dire que ce n'est pas moteur dans la relation qui nous unit).

RK: *Ok, a good phrase. Engine of the relationship.* (Ça, c'est une bonne phrase. Moteur dans la relation, on peut dire) (interview with CB on 23.08.2006)

Aiming to clarify the nature of the relationship between CB and his network ties, we discussed the first buyer C, a major supermarket chain, and M, the first supplier.

RK: *For C and M. It is about trust and believing in the project?* (Pour C et M. Quand même... La confiance et croire dans le projet)

CB: *It is more about believing in the project than trust... as these are, however, professional relationships.* (Plus croire dans le projet parce que confiance... Bon, ça reste des relations professionnelles)

RK: *Ok, believing in the project. And the engine here?* (Alors, croire dans le projet. OK. Et le moteur là?)

CB: *Here it is a financial engine. 100%. This is obvious. And for PC it is about believing in the project. It is obvious as he involves his brand, he involves his image of his brand but... he could say: 'I believe half of what they are saying but I will still take the risk'. I think that the motivation was stronger in this case.* (Là, c'est d'abord un moteur financier. A 100%. C'est évident. Et, pour PC, quand même croire dans le projet. C'est évident parce qu'il engage sa marque, il engage son image de marque mais ça peut... Il pourrait dire: "Bon, je n'y crois qu'à moitié mais je prends le risque quand même." Je pense que la motivation était beaucoup plus forte dans ce cas-là.).

RK: *OK, we will use this, this is not bad. Driver of the relationship: believe in the project, ok and on the other side we put driver of the relationship is rather financial.* (Donc on met ça. Parce que ça, c'est pas mal. Moteur des relations. Croire dans le projet. D'accord. Et là, sur l'autre côté, on met que le moteur des relations est plutôt financier).

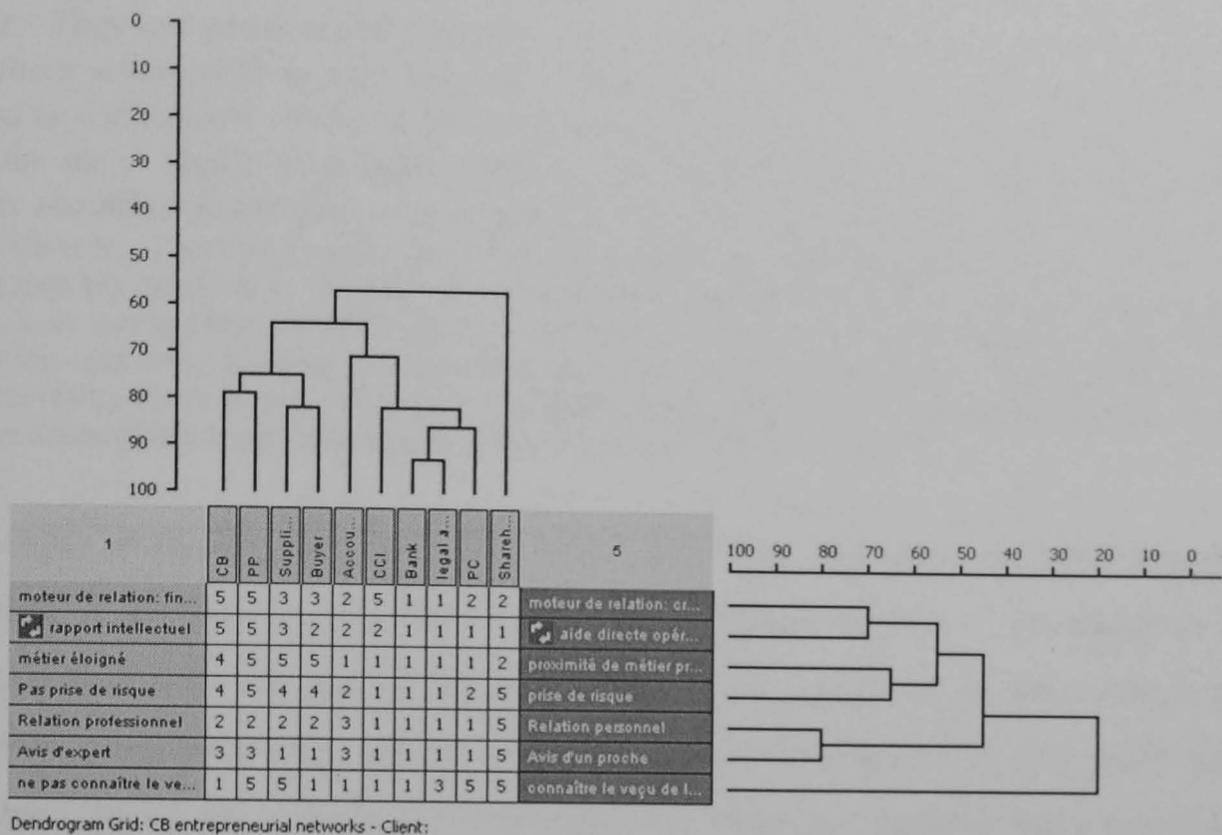
CB: *Yes. Absolutely. If we are looking for the opposite, then this is it. I want to say that we could have found a supplier who would have told us: 'the project, I don't care. I don't know whether it will work. I don't know you but you will pay me anyway. Or 'I would ask to be paid before and then you can do it'. So in this case the motivation would have been 100% financial. This would have been possible. We could have said right at the beginning: 'We need more money as we need to pay somebody first to get the products', but this was not the case. The same goes for the wholesale. We had other contacts in the trade who told us: I can work with you but you need to pay the reference budget first', for instance. There are some guys like this. You should not dream. But this was not the key driver.* (Oui. Absolument. Si on veut prendre l'opposition, c'est vraiment à ce niveau-là. Je veux dire qu'on aurait pu trouver un fournisseur qui nous dise: "Le projet, je m'en fous. Je ne sais pas si ça marchera. Je ne vous connais pas mais de toute façon vous allez me payer" ou "Je vous demande de payer avant et vous allez faire le truc". Donc là, la motivation était 100%

financière. C'était envisageable. On aurait pu dire au départ: "On a besoin de plus d'argent parce qu'il faut qu'on paie d'abord quelqu'un pour avoir les produits." Ça ne s'est pas passé comme ça....Même chose pour la grande distribution. On a eu d'autres contacts dans la grande distribution qui ont dit: "Vous allez rentrer chez moi mais vous allez d'abord payer les budgets de référencement." Par exemple. Alors il y en a eu un peu. Il ne faut pas rêver. Mais ça n'a pas été l'élément moteur). (interview with CB on 23.08.2006)

In this rather long extract from the interview with CB we get an excellent insight into his perception of network ties in terms of the risk individual ties take when working with the entrepreneurs. He identifies different levels of risk taking. For PC, the licensor, and the legal adviser the risk was limited, virtually zero. Although PC franchised his well-known brand to an unknown company he would have been paid whatever the circumstances. He had contractual security, he had certain guarantees. The same applied to the legal adviser. In the case of M and C the situation was different. They work in the same professional milieu and they put their good image and reputation in the trade on the line. As CB illustrated, not everybody in the trade would have done the same. An important aspect the entrepreneur mentions in this context is the idea of a professional universe that he and his associate PP shared with the supplier and the buyer. The latter belong to a profession that is close to the core business of the company that is to be created, which is different from PC and the legal adviser who belong to a '*métier éloigné*', a profession distant from the core business. This aspect gets later integrated in the repertory grid as '*proximité de métier proche vs métier éloigné*'.

Asking CB to clarify the difference between trust in them, the entrepreneurs, and having faith in the project, he underlines that it is rather the latter. It is rather about *belief* in the project than trust, given that these are professional relationships. Trust in people would stem from having faith in the project. CB also emphasised that people may be driven by either a financial interest or their belief in the entrepreneurial project. Risk taking and trust in the shape of having faith in the project are interrelated concepts, but he also adds the proximity of the profession as a third key concept. The close relationship between the two concepts '*prise de risque vs pas de prise de risque*' (risk-taking vs no risk-taking) and '*proximité de métier proche vs métier éloigné*' is also shown in Figure 10.4. Ties are either situated in a '*metier éloigné*', ie. in a profession distant from the core business and their risk-taking is virtually zero, or those, who are close to the core business (*proximité de métier proche*) such as M and C, take considerably more risks. As CB further underlined, there are different drivers for the relationship such as finance or faith in the project.

Figure 10.4: CB' cluster analysis



This section has illustrated the different levels of risk network ties are prepared to take. I will now focus on a related issue, that of prudence vs impulsiveness.

10.11.4 'Prudence vs impulsivité' (prudence vs impulsiveness)

In comparison, the bipolar concept of *'prudence vs impulsivité'* which I negotiated with YC in an interview on 29.01.2007 refers to inherent characteristics of network ties. The entrepreneur contrasts professional ties related to his human capital, ie. his former colleagues R and ST with his son CH. Whereas R is pure business, but also impulsive and very critical, ST and Ch are very prudent, analytique and supportive. All three act as YC's reality check, which suggests that the entrepreneur needs and appreciates people with this kind of combination of entrepreneurial traits/characteristics in his entrepreneurial network at the pre-organisation level. As YC elaborated on 29.01.2007:

YC: *ST and CH are nice guys, they are very careful, very analytical, very thoughtful, very generous, very human. He, R, in comparison, is pure business, he is also very critical. But at the same time very impulsive. These two, ST and CH are very prudent. Which contrasts with R who is very impulsive. So there is a certain...we can say prudence vs impulsiveness?* (St et Ch sont des nice guys, donc très prudents, très analytiques, très thoughtful, très généreux, très humains. Lui, R, par contre, c'est pure business....Et donc il est aussi plus critique. Mais en même temps beaucoup plus impulsif quand même. Là, les deux, St et Ch, sont très

prudents....Ce qui contraste avec R, qui est beaucoup plus impulsif. Donc il y a une certaine... On peut mettre prudence versus impulsivité?).

RK: *This could be something like this (Ça peut être quelque chose comme ça).*

YC: *The other aspect is that CH and ST... for them I knew that... they are people who are very supportive who... ST and R would tell me: Listen if you think that you can do it, do it. They are prudent but they are...their temperament is to be generous and to help others whereas R is very critical. There are these two dimensions which are opposed to each other...one is support and the other critical. This is a bit of a reality check for me. That's it, a reality check. ST and CH they are rather supportive, whereas the other is critical, it is a constructive criticism, that's it.* (Alors l'autre aspect, c'est que Ch et St... Pour eux je savais que... Eux sont des gens qui sont très supportive, qui... Steve aussi bien que mon fils me diraient: "Ecoute, si tu penses que tu peux le faire, fais-le... Ils sont prudents mais ils sont... Leur tempérament est d'être généreux et d'aider. Alors que R est beaucoup plus critique. Donc là il y a les deux dimensions un peu opposées qui sont... Un qui est support et l'autre critique. C'est comme un reality check un peu. Oui, c'est ça. Reality check. Donc St et Ch, c'est plus support, versus l'autre qui donne plutôt la critique. Critique constructive, c'est ça?)

The analysis of the repertory grids has shown that very few entrepreneurs integrated risk-taking or any variations of this concept in their repertory grids as determinants for evaluating their network ties. This may be due to a number of reasons: one is the calculative, purposeful approach to networking the entrepreneurs in this study have taken (see Chapter 6). Clearly this approach also served to minimise risks associated with enterprise creation. A second explanation may be that these entrepreneurs predominantly work with close ties such as family, friends and professional ties related to the human capital of the entrepreneur in the early phases of the start-up, very few ties unrelated to the human capital were involved and if they were, they were often recommended to the entrepreneur. I suggest that the entrepreneur is limiting his risk by purposefully choosing people whom he has known for some time and he involves them in a role in line with their competences and experiences. This analysis also corroborates with the finding that for some entrepreneurs the historical dimension of a tie was important, even very important, as already reported in Chapters 7-9. Some entrepreneurs such as AC and NF had integrated this aspect in their grids (see Appendix 6.3)

We also need to understand that the actual risk of starting a business in the services sector is relatively limited as JT points out in an interview on 21.11.2006. As he emphasised he would always have a fall back position given his vast network. This is very similar to other entrepreneurs such as GK, NF and JMB who, although unemployed by choice, they negotiated their departure from their employers, enjoyed a certain financial security as they could benefit from French legislation that supports unemployed people in their venture creation process. Hence by being unemployed

these entrepreneurs had found a way of minimising risks inherent in starting a venture. Arguably, these attempts to minimise risks at the pre-organisation level need to be understood against the general risk averseness of French culture, as pointed by Hofstede (2001) and MacLean (2001). French business culture is characterised by an infinite search for organisational security which is linked to a deep-rooted need to avoid uncertainty and remove ambiguity (Gordon 1993, MacLean 2001). As a result, Collin (2007) recently emphasised, for the past few decades France has preferred to prioritise employment security to risk-taking. One way of avoiding risk and situations of uncertainty has been the creation and maintenance of business networks, kinship and friendship ties, supported by shared membership of organisations such as the Grandes Ecoles, which as Maclean (2001) suggested, are the source of power in French business, an aspect that was also supported by this research.

The next section focuses on creativity and innovation the entrepreneur is looking for in his network ties.

10.11.5 Creative destruction and innovation

To Schumpeter the entrepreneur is an innovator who implements market changes, yet not everybody can recognise entrepreneurial opportunities and realise entrepreneurial profit. As de Vries (1977) extrapolates further, “Schumpeter’s entrepreneur is an ideas man and a man of action who possesses the ability to inspire others, and who does not accept the boundaries of structured situations. He is a *catalyst of change*, able to ‘carry out new combinations’ instrumental in discovering net opportunities” (p. 37). Arguably, both creativity and opportunism are key traits of our entrepreneur and indeed authors such as Timmons (1989) and Whiting (1988) have suggested that entrepreneurs are more creative than others parts of the population.

The analysis of both repertory grids but also the accompanying discussions that aimed to illicit information about the way entrepreneurs perceived themselves shows that there were some entrepreneurs who had assessed their network ties in terms of aspects such as ‘*créativité vs rigidité*’ (creativity vs. rigidity) (YC) and ‘*chercher des nouvelles tendances vs être classique*’ (looking for new tendencies vs. being traditional) in E’s case. Whereas I am aware of literature such as Utsch & Rauch (2000) who showed that there is a powerful link between innovativeness and venture performance and that

innovativeness is linked to achievement orientation, this link between creativity and performance did not emerge from this study.

The following extract taken from an interview on 29.01.2007 with YC highlights the latter's perception of network ties. He contrasts R, who was his boss at the American company GF, with ST2, president of a major multinational S, who also happened to be his former boss at GF, with his son CH:

RK: *That's fine, I like this idea. R is very structured, very rigid. You are very creative. And where are your son and ST2 in terms of creativity?* (C'est ça. J'aime aussi bien cette idée. R est très structuré, très rigide. Vous, vous êtes très créatif. Et, au niveau de la créativité, comment sont votre fils et ST2?)

YC: *They are creative as well but...* (Ils sont créatifs aussi mais...)

RK: *Are they very different from R in this sense?* (Est-ce qu'ils sont très opposés à R dans ce sens?)

YC: *Yes, R is very structured and I think that ST2 and Ch are more creative. They are less rigid* (Oui, ils sont opposés. Rick est très structuré et je crois que St et Ch sont un peu plus créatifs. Ils sont moins rigides).

RK: *OK, well we can put another concept which would be ...creativity?* (OK. Donc on peut mettre un autre concept qui serait... Créativité?)

YC: *Yes, creativity vs structure* (Oui, créativité versus structure).

RK: *Structure, yes. Rigour* (Structure, oui. Rigueur?)

YC: *No, this is rigidity.* (Non, c'est rigidité!)

As this extract shows, YC associates structure with rigidity and he describes R, his former colleague, as very structured which contrasts with ST 2 and his son Ch who are more creative.

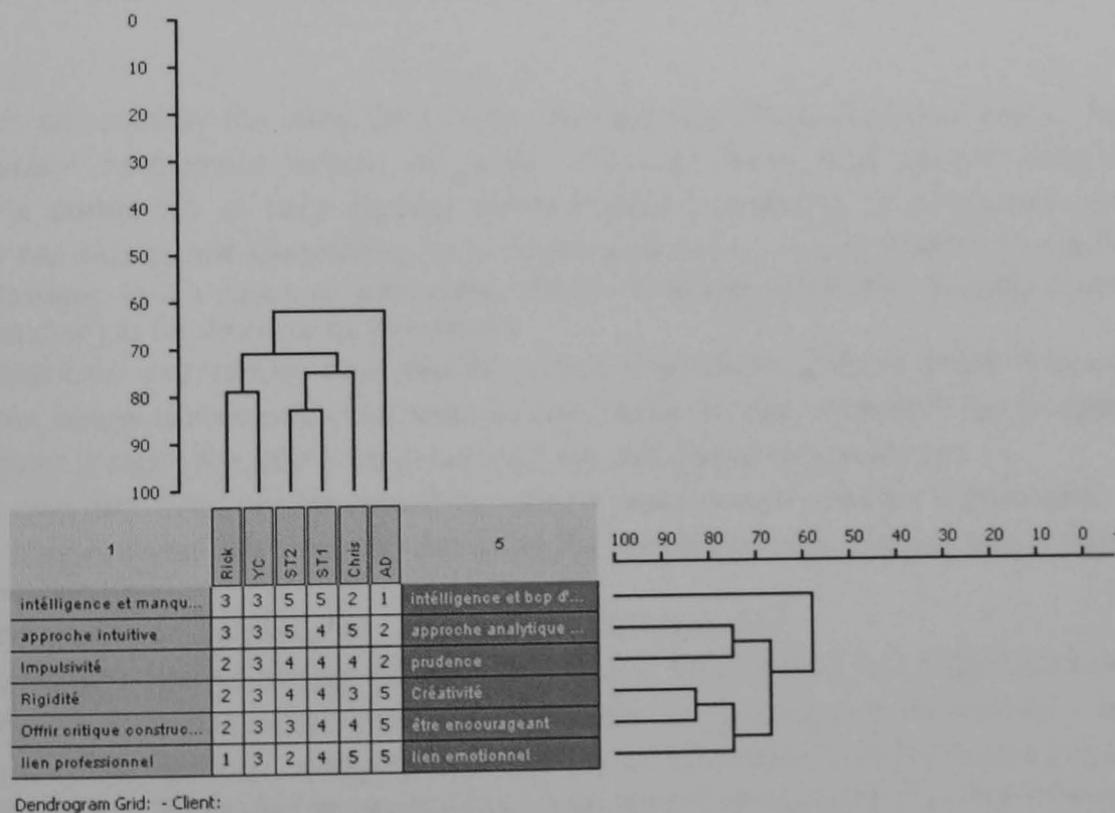
In the second extract taken from the same interview YC compares his open-ended management which is innovation and creativity orientated with R rigid management style. Not surprisingly this initially created many problems between the two men, yet they became good friends later, which YC is still surprised about. He illustrated the situation as follows:

Because he, he is very rigid, very structured. My method is much more open-ended, much more orientated towards creation and innovation. His method is about control. He is very...As a result, we have very different management styles but...But since then we have become friends...and every time that he found a new job he asked me to join him. He has been very... enormously... He has developed a great trust in me and I am probably one of the few people who can work with him. But in the end we are very different from each other but we have succeeded in working together. (Parce que lui, il est très rigide, très structuré. Et ma méthode est beaucoup open-ended, beaucoup plus orientée vers la création, l'innovation. Lui, sa méthode est plutôt créée vers le contrôle. Il est très... Donc on a des styles de management complètement différents mais... Et, depuis, on est devenus assez amis et à chaque fois

qu'il a un nouveau travail, il veut que j'aille travailler pour lui. Il a beaucoup... énormément... Il a développé une grande confiance et je suis probablement l'une des seules personnes qui puisse travailler avec lui. Et, finalement, on est très différents l'un de l'autre mais on a réussi à travailler ensemble).

Examining Figure 10.5, which gives the cluster analysis of YC's repertory grid, we can also see that the three concepts '*créativité vs rigidité*' (creativity vs rigidity), '*être encourageant vs offrir critique constructive*' (being encouraging vs offering constructive criticism) and '*lien émotionnel vs lien professionnel*' (emotional vs professional tie) are very closely related. This suggests that those ties which are more creative also tend to be more encouraging and represent emotional/personal ties of the entrepreneur. It is interesting to note that YC evaluated himself at 3 on *all* concepts, indicating that he felt that he combined a good balance of all concepts.

Figure 10.5: YC's cluster analysis



A second aspect relating to the concept of creativity was offered by E during our interview on 06.07.2006. E assessed her network ties in terms of '*nouvelles tendances vs être classique*', ie. new tendencies vs. being classical. The following extract sheds light on how we are arrived at this bipolar concept. We contrasted her husband, an Ancien, with SL, another Ancien, who was involved in a consultancy role in the entrepreneurial project, with JT, her co-founder. As E narrated:

E: *Because they (here SL and her husband) have in common that they are two people, and this applies to the development of a concept, they are two people who are very open to new consumer trends, very open to the influx of novelties. This is very important when you develop a project, I am like this too, you should not neglect market trends* (Parce qu'ils ont en commun tous les deux je trouve c'est que ce sont 2 personnes, et là c'est aussi dans le cadre du développement du concept qui sont très ouverts sur les tendances de consommation, très à l'affût des nouveautés. Ca je pense que c'est important quand on développe un projet, je le suis aussi mais il faut pas tomber à côté de la plaque en terme de tendance de marchés).

RK : *So the two are very well informed, ... open to consumer trends ok, very good and the third person, how is JT different?* (Donc les deux, ils sont quand même bien informés. ...ouvert tendance de la consommation ok très bien et le 3^{ème} comment il est cette personne JT comment il est différent ?)

E: *He is a manager.* (C'est un gestionnaire)

RK: *So he is a manager but not an entrepreneur, a manager?* (Lui est gestionnaire donc il n'est pas entrepreneur mais gestionnaire?)

E: *But yes he is entrepreneur and manager!* (Si, il est entrepreneur et gestionnaire!)

RK : *Ok* (OK)

E: *What I am trying to say he is less, he is not very open to the influx of novelties, that's not his thing* (Je veux dire il est moins, c'est pas effectivement, il est pas à l'affût de nouveautés, c'est pas son truc lui).

Summarising the situation I suggested that SL and her husband are very interested in everything new, innovative which is not the case for JT. E corrected me saying:

E: *No, this is not exactly the case, he is very enthusiastic about classical music, he has opened another restaurant where he sells 'côte de bœuf and gratin dauphinois (researcher's comment: a very typical French dish consisting of beef and potatoe gratin), you see this is not something he is looking for* (non c'est pas, il adore il est passionné de musique classique, là il a ouvert un autre restau qui fait de la côte de bœuf et du gratin dauphinois vous voyez non c'est pas forcément ce qu'il recherche

RK: *...the two love everything new and he is less innovative, I don't know how else to put it* (Les deux aiment la nouveauté et lui moins de nouveauté je sais pas comment il faut le mettre).

E: *It is not even a topic for him* (c'est pas un sujet qui, c'est pas ce qu'il recherche).

RK: *Ok, we can put, 'looking for novelties'* (Ok on peut mettre ça –chercher la nouveauté).

E: *Yes, but it is not just the novelty, but also the trend* (oui mais c'est pas tant la nouveauté que, voyez la tendance).

RK: *Everything that is fashionable...?* (tout ce qui est à la mode?)

E: *Not necessarily, yes as trends and fashion are a bit similar, but I find fashion too reductionist and even very reductionist and I prefer 'à la tendance du marché', in line with the trend of the market. And yes the contrast is 'classique'* (Ah Pas forcément oui mais si forcément tendance et mode c'est un peu la même chose, mais la mode je trouve ça trop réducteur et à mon avis, très réducteur oui, à la tendance de marché, je sais pas, je préférerais. Eh oui le contraste, classique).

The idea of '*nouvelles tendances vs être classique*' corresponds to network ties being informed about newest consumer trends and being close to the market. E contrasts herself, her husband and SL with her co-founder JT. Whereas the former are well informed about consumer trends, the latter is more '*classique*', he prefers to present traditional dishes to his clientele. E underlines that JT is not looking to be in line with the newest market trends for French cuisine. He is happy being an entrepreneur and

manager, he is not looking to impress with a novel, innovative approach. This contrasts with E's statement earlier in the same interview where she underlined her own creative personality:

E: Creativity is really my thing, I love creating dishes. Here the cook, I would say, we are... We are working on it. So effectively I already had an idea of what I wanted in the kitchen of the restaurant that I created later. (Et comme moi, mon truc, c'est la créativité, que j'adore créer des plats. Ici, bon, c'est le chef qui le fait mais, je veux dire, on est... On travaille beaucoup là-dessus... Donc, effectivement, j'avais déjà une idée de ce que je voulais que soit plus tard la cuisine du restaurant que j'allais créer).

To understand E's comment we need to consider first of all her upbringing on a farm in Normandy. As she mentioned during the interview, her great passion in life were fresh vegetables and fruit from her parents' garden and any possible culinary creations she could prepare from them. Second, whereas her senior position at Total offered her many benefits in terms of salary and employment security, it seems that something was missing from her life, as she undertook an intensive training programme (CAP in cuisine and pâtisserie) to educate herself, follow her great passion for cooking and pursue her dream of having her own restaurant.

Apart from YC and E no other entrepreneur assessed their network ties in terms of creativity, which may be a surprising finding. I suggest that creativity may not have been an issue for some of the entrepreneurs as their entrepreneurial activity emerged from their former professional activity, see, for instance, BS, JMB and PP, who may not have perceived their business activity as particularly creative or even in need of creative input. The nature of E's entrepreneurial project, creating a restaurant in the heart of Paris, meant that she had to pay attention to consumer trends, she had to be creative to attract clients and distinguish her business from hundreds of other restaurants in Paris. Furthermore as I highlighted earlier there is certainly a creative element in E's character that she wanted to realise through her creation. This is similar to YC, who perceives his management style as encouraging creativity and innovativeness. For more than 25 years YC had been a decision maker managing large companies and it was only in 2000 that he decided to create his own venture, when he was free of any financial obligations for his children. This suggests that creating his own business became an expression of his creativity, which to some extent, had been constrained by the different work environments in which he had spent most of his professional life, but also by the financial obligations for his family. It is also

interesting to have a look at YC's repertory grid (Figure 10.6) as it shows that he surrounds himself with ties that are either characterised by a high level of creativity like his friend ST1, his former colleague and friend ST2 and his daughter (AD), his son is in the middle. Only R is very different from YC and during the interview on 29.01.2007 the entrepreneur expressed his lack of understanding for why the two men got along so well. As he underlined:

But this is fascinating for me. I have always been fascinated by this. I have known him for 20 years (Mais c'est fascinant pour moi. J'ai toujours été fasciné par ça... Je le connais depuis vingt ans).

In the end it is this difference between the two men and R's professional experience which recommends the latter as a valuable tie during his start-up. As YC explained:

Well, in fact, why have I asked for his opinion? Because he is very different and he ...he has a very good (professional) experience, so... but a very different style... (Donc, en fait, pourquoi je lui ai demandé un petit peu son avis? C'est parce qu'il est très différent et puis il me... Il a une très bonne expérience, donc... Mais il a un style très différent).

Having illustrated the aspect of creativity as a way of distinguishing network ties the following section will explore the issue of in/dependence.

10.11.6 Desire for autonomy and independence

Many researchers have commented upon the importance of 'independence' for the entrepreneur, which is about "taking the responsibility to use one's own judgement as opposed to blindly following the assertions of others. It also involves taking responsibility for one's own life rather than living off the efforts of others" (Shane et al. 2003, p. 268). Arguably, independence' is key in pursuing an opportunity that did not exist before; entrepreneurs are also responsible for results, whether good or bad and individuals may simply pursue entrepreneurial careers as they wish to be independent from others (Shane et al. 2003). Following Caird (1991) and Cromie & O'Donoghue (1992), Kirby (2004) highlights that entrepreneurs want to be in control, which arguably results in a higher need for autonomy and a greater fear of external control than other occupational groups. In Mitton's (1989) view "entrepreneurs prefer to take and hold unmistakable command" (p. 13), yet as Shaver & Scott (1991) concede not even the most able entrepreneur can control everything. Instead, entrepreneurs seem to value individualism and freedom more than the general public or managers and they dislike rules, procedures and social norms which makes it difficult for them to function in constraining environments (Kirby 2004). Conversely, De Vries (1977) illustrates the

question of autonomy from a psychological perspective, seeing the entrepreneur as a “psychological risk taker subjected to a high degree of psychosocial risks” (p.50) and he suggests that original feelings of helplessness, dependency and rejection are replaced by a proactive style in which power, control and autonomy become key for the individual.

Whichever of these authors is right is difficult to say, but having examined the interview transcripts I am going to highlight some interesting observations. As I noted earlier, many entrepreneurs distinguished between network ties either being employees or entrepreneurs and/or having an entrepreneurial mindset/spirit vs the mindset of a coworker/employee, themes which all relate to the fundamental question of somebody being in dependent or independent employment.

Second, inherent in this notion of dependency is also the struggle between the individual and the overarching structure. GK’s case illustrates the entrepreneur’s struggle with the French unemployment benefits office, the ASSEDIC, which represents French authority and reflects, to some extent, the overarching French socio-economic and political system. D, GK’s father-in-law, who is a manager, helps the entrepreneur better understand and interpret French rules and regulations to his advantage. For D they are *not* victims of these rules. He is there to help the young entrepreneur, to explain, to give his opinion. GK describes D’s involvement as follows:

He is somebody who... He is a manager. He helps me to see clearer through the maze of rules and regulations and helps me better use them to my advantage. For him, in fact, we are not victims of rules and regulations. This is one of the criteria of the choices of our actions. So he does not represent the rules, but he is there to help me, to elucidate, give me an opinion, which is not simply a lecture on the rules. (Lui, c'est quelqu'un qui... C'est un manager. Donc, en fait, lui m'aide à voir plus clair au travers des réglementations et à mieux les utiliser, en fait. Pour lui, en fait, on n'est pas victime d'une réglementation. C'est un des critères de choix de notre action. Donc lui, il ne représente pas de règles. Il est juste là pour m'aider, pour éclairer, en fait, fournir un avis qui n'est pas simplement la lecture de la règle) (interview with GK on 06.07.2006)

Whereas his accountant S would tell GK about all the rules and regulations to adhere to, D shows him how to get around the rules.

Whilst my accountant and the Assedic would tell me: Rules are rules. He would say: "Let's have a look, with a rule that says this, we could do this". It is about how you can work around the rules. (Autant mon expert-comptable et les Assedic vont me dire: "La règle, c'est ça." Autant lui, il va me dire: "Avec une règle qui dit ça, voilà ce qu'on pourrait en faire effectivement. Comment on peut la contourner etc.") (interview with GK on 06.07.2006)

Third, (in)dependence also plays a role in the later development of P&G's venture and this concept gets finally integrated in their fourth grid which we established after 18 months of having worked together. The exact concept P&G integrated was '*rendre les comptes vs pas les rendre*', ie. being (or not) accountable/held responsible. Accountability is an issue in social psychology where it is argued that once people have committed themselves to achieving certain objectives; accountability will prompt as many reasons as they can think of for justifying their actions (Schwarz 1998). This concept had never occurred before and was not found in any other repertory grids. One possible explanation may be that the two entrepreneurs had successfully gained financial support from local/regional business support organisations such as OSEO, which provided them with a start-up grant and ongoing assistance. In addition, they had had the intellectual support from many professors at the ESC, which was very different from the other ventures discussed throughout this thesis. I suggest that the success of their entrepreneurial project depended to a large extent on the goodwill of the different ties who had provided advice free of charge and who had opened their networks for the young entrepreneurs. Hence this may explain why they felt that there was a need to be accountable to those who had contributed to the entrepreneurial project. Yet there were differing degrees of accountability as the two founders felt more accountable to, for instance, OSEO, than to their parents and DL, one of their mentors. Much of this can be explained by the fact that OSEO is an official regional government body and hence any grants provided to entrepreneurs need to be accounted for. This extract from our interview on 02.03.2007 illustrates the situation:

P/G: A support in whatever form, as advice or something that concerns enterprise creation, financial, logistical, external assistance, we have to be accountable to them. Take, for instance, OSEO, we are accountable to them, which is different from our parents and DL to whom we are not particularly accountable. (Un soutien sous quelque forme que ce soit, soit un conseil soit tout ce qui est création d'entreprise, financier, logistique, aide extérieure, on doit lui rendre des comptes aussi quelque part à lui. OSEO on doit lui rendre des comptes, pareil aussi, tandis que nos parents et D on a pas spécialement à rendre des comptes ou pas rendre des comptes)

RK: What does this phrase 'rendre les comptes' mean? (Ça veut dire quoi rendre des comptes)

P/G: We have to tell them what has been going on, it is a concept between convincing and not convincing, that's it in a way, being or not being accountable (On doit leur faire, leur dire ce qui se passe, concept entre convaincre et pas convaincre, c'est à peu près le principe, rendre des comptes et pas rendre des comptes)

RK: And what does 'rendre des comptes' mean for you? What does it mean for you? (Et rendre des comptes – qu'est-ce que ça veut dire pour vous ? rendre des comptes ? ça veut dire)

P/G: We have to justify what we have done. To justify what we do and why, to justify our actions. We have to convince them of our good decisions right from the start.

(Justifier ce qu'on fait fait. Justifier ce qu'on fait – pourquoi – justifier par rapport. Convaincre de nos bons choix en fait au départ.)

We continued the discussion further clarifying the term '*rendre les comptes*', and I asked P&G to clarify the difference between having to convince somebody and being accountable for something:

RK: *Ok in this case I don't understand the difference between convincing and being accountable for something* (Donc dans ce cas là, je comprends pas la différence entre convaincre et rendre les comptes)

P/G: *Convincing comes first, you are going to convince somebody of something whereas being accountable is indeed more regular* (Convaincre c'est avant, on va convaincre quelqu'un sur quelque chose tandis que rendre des comptes c'est régulier en fait).

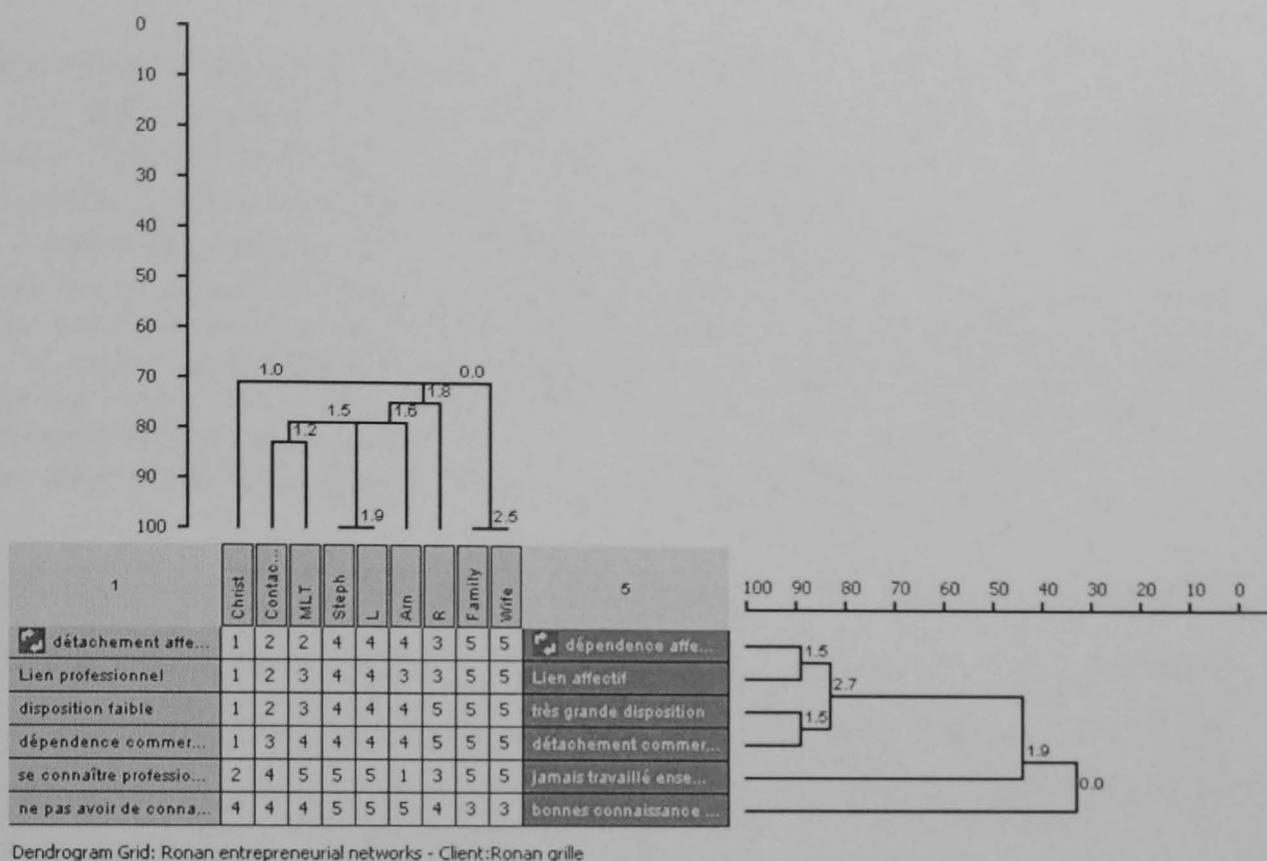
RK: *In order to show them what you have done* (Pour leur montrer ce que vous avez fait).

P/G: *Being accountable to means convincing permanently* (Rendre des comptes c'est convaincre en permanence) (interview with P&G on 02.03.2007)

As the two entrepreneurs emphasised, convincing people is the first step, later they were held accountable for their actions.

Different from these cases, R's case shows an interesting correlation between four concepts, one of them commercial dependence. In Chapter 7 I have already highlighted the relationship between two key concepts in R's repertory grid, '*détachment affectif vs dépendence affective*' (emotional detachment vs emotional dependence) and '*détachment commercial versus dépendence commercial*' (emotional dependence vs commercial dependence). Using the example of his family and friends R assessed them as being emotionally involved with him, yet commercially detached. Conversely he pointed out the lawyer C's strong commercial dependence on R's entrepreneurial project. The cluster analysis in Figure 10.5 expands on this initial analysis as it shows the interrelatedness of *four* concepts: '*dépendence affective, lien affectif, très grande disposition et détachement commercial*'. This suggests that those ties with whom R has been emotionally involved, ie. friends and family, are characterised by a certain emotional dependency, they would be more available to the entrepreneur, yet commercially detached. Conversely, those ties that constitute professional links are characterised by an affective detachment, they would be less available, yet there may be the risk of commercial dependence. Figure 10.6 illustrates this relationship.

Figure 10.6: R's cluster analysis



The discussion in this section has shown that there are different dimensions to the notion of dependency. At a macro level the entrepreneur may be dependent on the socio-economic and political structure of the country, in this case France or the locality where (s)he is based, at the micro level (s)he may be dependent on family, friends and clients. The next section will focus on the aspect of intuition.

10.11.7 (Against) Intuition

General entrepreneurship theory advocates that entrepreneurs act upon intuition, a notion that suggests that they would adopt a more intuitive approach favouring random methods of exploration in favour to a structured, analytical approach to problem-solving which would require attention to detail, adherence to rules and systematic investigation (Kirby 2004). However, there are a number of authors such as Allinson et al. (2000), Olsen (1995) and Miner (1997) who assert that intuition may be more important for some situations than for others and for certain types of entrepreneurs. The following quote illustrates how NF perceives his network ties in terms of the bipolar concept *'être analytique vs être intuitif'* (being analytical vs intuitive). We were discussing R and L who are also Anciens, and who after the start-up had set up

franchising businesses for NF in different parts of France. Y is a friend of R. As NF explained on 01.03.2006:

Yes. They attended the same school which links them two. But there is something which is very different about them as well, he is very creative and he is very analytical and intuitive. What links them? It is me, they are both very good friends. And where would I position Y...He is a good synthesis of the two. In terms of being analytical and intuitive, Y has both qualities. He is not really my friend, he is a friend of R. (Oui. Alors R et L ils ont fait la même école donc c'est quand même ce qui les relie. Il y a quelque chose qui les oppose aussi justement, lui il est créatif et lui il est analytique et intuitif. Qu'est-ce qui les relie autrement... C'est moi, ce sont deux très bons copains. Et alors Y comment lui se positionne par rapport à ça... C'est une bonne synthèse des deux. En terme analytique et intuitif, il a ces deux qualités Y. Et c'est pas un copain à moi, c'est un copain de R)

RK: *So we take: Intuitive vs analytical* (Donc on fait pour intuitif et analytique).

As the following extract from the same interview shows, the repertory grid makes it possible to allocate characteristics from both poles to the network tie, which is not just a unique way of understanding network ties as a combination of different aspects, but also gives the entrepreneur the opportunity to give a more accurate reflection of how he perceives his entourage.

NF: For S I would put 3, he is very balanced. For ST I would put 2 as he is very analytical and a bit intuitive. PP is pure instinct and I would put 5. My father is rather analytical and I would put 2. E is 3, rather balanced I think. Matt is very analytical and I would put 1, R is very intuitive and I would put 4. L is very analytical and I would put 1, Y is very balanced (Pour S je mettrai 3 il est assez équilibré. Pour St il est très analytique et un peu intuitif je mettrai 2. PP il est pur instinctif je mettrai 5. Mon père est plutôt analytique je mettrai 2. Emmanuel il est 3, assez équilibré je pense. Matt il est très analytique je mettrai 1. R il est très intuitif je mettrai 4. L il est très analytique je mettrai 1. Y est un bon équilibre).

NF rated himself at 3.

The idea of intuition is also closely related to YC's notion of 'gut feeling' which we discussed during an interview on 29.01.2007. We were establishing the phases of the entrepreneurial venture and he talked about the first reaction of former colleagues and friends, all businessmen to his business plan. As he highlighted:

They were all impressed, in a general way. Because there are many people when they start... But I had thought a lot, so... You know, there are two ways for me of creating a company. One is very intuitive; you do it because of gut feeling. If you have it, if you love the idea, if you have the gut feeling and a lot of courage and ...For me it was rather a well-thought-through decision rather than...(Ils étaient très impressionnés par la... D'une façon générale. Parce que beaucoup de gens, quand ils commencent, comme ça... Mais là, j'ai bien réfléchi, donc... Vous savez, il y a deux façons pour moi de créer une entreprise. Une qui est très intuitive. On fait parce qu'on a le Gut feeling. Si on a ça, on adore l'idée, on a le Gut feeling et on a beaucoup de courage et on a... Pour moi, c'est plutôt ce que j'appelle une décision réfléchie plutôt que...)

RK: ... *Gut feeling*.

The idea of rejecting gut feeling as a basis for the decision to create a business seems contradictory to YC's perception of himself as a creative, innovative individual as I had highlighted earlier in 10.10.5. At the same time his purposeful approach to enterprise creation emerged out of 25 years of experience of managing large companies, where the creation of business plans was part of his daily business. As the cluster analysis illustrates, the two concepts '*approche analytique et intellectuelle vs approche intuitive*' correlate strongly with the concept '*prudence vs impulsivite*', which suggests that an analytical, intellectual approach goes along with prudence, careful behaviour and intuition with a certain amount of impulsiveness (also see Figure 10.5).

The next section will shed light on the different types of intelligence the entrepreneur was seeking in his network ties.

10.11.8 Different types of intelligence

Sternberg (2004) highlights that successful entrepreneurship requires a careful combination of three types of intelligence, ie. practical, creative and analytical and all three may be of relevance within the context of entrepreneurship. Practical intelligence is different from academic intelligence and Sternberg et al. (2001) have highlighted a negative relationship between academic and practical intelligence. The authors tested Kenyan children's knowledge of natural herbal remedies which they compared with Western tests of intelligence. Their findings suggested a negative correlation between practical and academic intelligence with the children achieving high scores in practical intelligence, yet low scores in terms of academic intelligence and school achievement. On the basis of these results Sternberg (2004) advocates that it should not be surprising to see that children do not make the connection between educational success and success in real life. This, the author argues, would be of direct relevance to entrepreneurs as individuals who are not necessarily interested in academic achievements and who find school completely unrelated to their goals.

Practical intelligence is closely related to tacit knowledge which Sternberg (2004) defines as "the knowledge that often is most important for success in the workplace, but it is the knowledge that people must pick up on their own". Practical intelligence is of great importance in the work place, yet individuals tend to differ in their effectiveness

in practical and abstract analytical situations. As the author concludes, some individuals set up their own business as they are fed up with trying to figure out the tacit knowledge of the organisational environment. In comparison, analytical intelligence is IQ-based.

The third type of intelligence is of a creative nature and key to producing new and innovative ideas. The creative aspect helps to develop new, innovative ideas, the analytical aspect is about evaluating the value of the ideas and practical intelligence relates to the question of how best to sell the idea to people not really interested in your product/service. Sternberg's distinction between different types of intelligence is of great interest to this study as evidence of all three types of intelligence can be found in this research. The analysis presented in Chapters 7 and 9 emphasised the importance of network ties in bringing practical intelligence, articulated as technical or marketing competences, to the fledgling venture. Furthermore a number of concepts that emerged from the repertory grid discussions belong to the analytical type of intelligence Sternberg refers to. YC, for instance categorised his network ties in terms of '*approche analytique et intellectuelle vs approche intuitive*' (see section 10.7). GK identified the aspect of '*porter à l'action vs porter à la réflexion*' (tendency to prefer actions vs tendency to prefer reflection) and JMB developed the concept '*participer a la réflexion sur la société vs pas y participer*' (participate in the reflection about the company vs not participating). All these concepts emphasise the intellectual contribution of the network ties, which is very much in line with earlier findings in Chapter 6, where the analysis found that several entrepreneurs had integrated a phase of reflection in their phases model. In addition, some had stressed the value of reflections with family, friendship and professional ties (see Chapters 7, 8 and 9).

Yet, among all the concepts that I negotiated with the entrepreneurs it was in particular the following which which was highly impressive due to the analytical sophistication. In an interview with GK on 26.07.2006 the entrepreneur developed the concept '*intelligence spatiale vs intelligence linéaire*'. The concept illustrates a very sophisticated view of the GK's perception of his network ties. He has developed his own philosophy about the different types of intelligence that exist and to what extent the network ties should combine these. We had been discussing the key concept of '*être opérationnel vs être manager*'. This notion of somebody being operational certainly indicates a level of practical intelligence in terms of technical and marketing

competences, as already illustrated in Chapters 7 and 9. The following extract illustrates GK's philosophy.

RK: *OK. Last time we identified people who are..* These are people who are (OK. Donc ce qu'on a identifié la dernière fois, on a identifié. Il y a des gens qui sont...)

GK: *Rather operational vs more managerial* (plus opérationnels ou plus managers).

RK: *That's it. You defined the term Manager* (C'est ça. Vous m'avez défini le mot "manager".)

GK: *He is rather in the 'strategy', the operational is in the 'tactics'.* (C'est plus dans la stratégie. L'opérationnel, c'est plus dans la tactique).

RK: *Ok, we looked at this...this was* (D'accord. Et on a vu aussi... Ça, c'était...)

GK: *Spatial intelligence, linear intelligence. Do you want me to define the concepts?* (Intelligence spatiale, intelligence linéaire. Vous voulez que je vous redéfinisse ces concepts-là?)

RK: *Yes, really to* (Oui. C'est vraiment pour...)

GK: *To recall?...what I call spatial intelligence is the capacity to associate concepts together to create new ideas. This means seeing ideas and concepts as bricks which can be associated with each other quite freely to construct new ideas, find new ways of thinking, approaching a problem from a new point of view. This is what the Anglosaxons would call 'out of the box thinking'* (Remémorer?. Alors, ce que moi, j'appelle l'intelligence spatiale, c'est la capacité d'associer des concepts ensemble pour créer de nouvelles idées. C'est-à-dire voir, en fait, les idées et les concepts comme des briques qu'on peut associer librement et construire de nouvelles idées, trouver de nouvelles façons de réfléchir, d'aborder un problème, un nouvel angle. C'est ce que les Anglo-Saxons pourraient appeler en partie la capacité à *think out of the box*)

RK: *Ok, I understand.* (Ah oui! OK).

GK: *This is... this is part of... And linear intelligence, in contrast, is a type of intelligence which consists of planning, this means being able to examine an objective and to determine very precisely which steps you have to take to obtain this objective. So, there we are more into the planification whereas the other one is perhaps more into the creation. But you cannot ...There is no pure spatial intelligence and there is no pure linear intelligence. There is nobody who is just one or the other.* (C'est... Ça fait partie de ça. Et l'intelligence linéaire, par opposition, c'est plus une intelligence qui consiste à planifier, c'est-à-dire à être capable de regarder un objectif et de déterminer très précisément quelles sont toutes les étapes qui doivent être franchies pour atteindre cet objectif. Donc là, on est plus dans la planification et, de l'autre côté, on est plus peut-être dans la création. Mais on ne peut pas... Il n'y a pas d'intelligence spatiale pure et il n'y a pas d'intelligence linéaire pure. Il n'y a que des gens qui soient plus l'un ou plus l'autre).

RK: OK (OK).

GK: *This is my point of view, in any case. It needs to be balanced. In order for it to be balanced, you need...you need profiles...the two profiles in one company in order to achieve this balance and bring creativity, innovation, and on the other hand operational rigour* (C'est mon point de vue, en tout cas. Et, en tout cas, il faut que ce soit équilibré. Pour que ce soit équilibré, il faut... En fait, il faut des profils... les deux profils dans une entreprise pour que les choses s'équilibrent et qu'on apporte d'un côté la créativité, l'innovation et, de l'autre, la rigueur opérationnelle)

RK: *Ok, this is very interesting. So spatial intelligence is more about creativity?* (Ah ça, c'est intéressant aussi. Donc cette intelligence spatiale, ce serait plutôt créativité?)

GK: *Creativity, innovation, yes* (Créativité, innovation. Oui.)

RK: *Yes, and the other one would be..?* (Oui. Et l'autre, ce serait plutôt...)

GK: *The other one would be rather...rigour* (Et l'autre, ce serait plutôt... Enfin, rigueur)

To my question whether we could replace the terms '*intelligence spatiale vs intelligence linéaire*' with the opposing concepts of creativity/innovation vs. rigour'

GK responded,

Yes, this is a good synthesis, but as all good syntheses it is, it is not 100%. (Oui, ce sont de bonnes synthèses mais c'est, comme toute synthèse, c'est..C'est pas 100%).

GK distinguished between spatial and linear intelligence, with the former being associated with creativity, innovativeness and 'out of the box thinking' and the latter with rigorous planning and structure to achieve the objectives set. He emphasised, however, the need to combine both types in a company to be successful. Individuals would not be found at either extreme of this bipolar concept, but would be a combination of both aspects. GK's ideas of an 'intelligence spatial' which combines creativity and out-of-the-box thinking finds a reflection in Sternberg's creative intelligence and his concept of an '*intelligence linéaire*' seems akin to Sternberg's analytical intelligence. GK later illustrated in the same interview how different people with different types of intelligence can complement each other. He rated himself at 5, indicating a dominance of an 'intelligence spatiale'. The next section continues the theme of 'intelligence'.

10.11.9 Complementary types of intelligence

In our interview on 26.07.2006 GK compared his wife, his friend and fellow entrepreneur L, who are not at all modest people but very self-assured, with P, with whom he shares the premises. GK describes P, who is also running his own business, as a pure analyst, as a calculator, yet the two men really work well together as P finds it very difficult to take decisions and GK helps him with this. GK uses the metaphor of opening and closing doors in this context. P *opens* certain doors for GK and GK helps him to *close* doors, meaning here that he helps P to come to a decision. The conversation refers to an example that happened two weeks before our interview in July 2006. GK was working on a business plan and had trouble finishing it. He went to ask P for his help. As GK underlined, for P this was very easy, he quickly analysed the situation and said: this is the right decision. GK followed his advice and invested the money. As he emphasised, P is always surprised that, once GK has taken a decision, he can immediately operationalise this decision. In contrast, P is always in a 'wait and see' approach. As GK elaborated further:

P is the exact opposite. He is somebody who is always calling himself into question (P, c'est exactement l'inverse. C'est quelqu'un de... Il est toujours dans l'interrogation).

RK: *Yes? (Ah oui?)*

GK: *It is very difficult for him to take a decision, as it means that he has to close some doors. This means that we really work well together, I help him close doors and he helps me open them. This is not bad. (Prendre une décision, pour lui, c'est vraiment très difficile*

parce que ça veut dire fermer une porte. Alors, du coup, en fait, on fonctionne très bien ensemble parce que moi, je l'aide à fermer des portes et lui, il m'aide à en ouvrir. C'est pas mal).

RK: Very interesting. He opens doors and you close them (Très intéressant. Il ouvre les portes et vous les fermez).

GK: Yes indeed, he opens doors for my business and I close them for him. For instance, two weeks ago we were working on the business plan for the telephone business. And I, I found it difficult to finish the thing as it was very strange. So I asked for his help. For him this kind of thing is really easy. So he quickly finished it and said: this is the right decision. And yes I invested the money. He is always surprised when from the moment I have taken a decision I can quickly go over to the operational side. He said: How do you do it? I told him: This is very easy. It is decided, so then you have to act. He is not like this, he does not know to do this, he is always waiting (Oui. En fait, il ouvre des portes pour mon business et moi, je les ferme pour le sien. Par exemple, parce que, il y a deux semaines, on a travaillé sur le business plan du truc de téléphonie, là. Et donc moi, j'avais un peu de mal à aller au bout parce que c'est un peu bizarre. Je lui ai demandé son aide. Pour lui, ce genre de truc, c'est vraiment facile. Donc il est allé très vite au bout et il a dit: "La bonne décision, c'est ça." Et, en fait. Merci." J'investis l'argent...Et il est toujours surpris que, à partir du moment où il y a une décision, je sois capable d'aller aussi vite à l'opérationnel. Il me dit: "Comment tu fais?" Je lui dis: "C'est simple. C'est décidé. Donc, après, il faut faire." Alors lui, il ne sait pas faire ça, donc il est toujours dans l'expectative (interview 26.07.2006 with GK).

Having discussed the importance of different types of intelligence for the entrepreneurial perception of his/her network the next section will focus on the purposeful approach the entrepreneurs were taking.

10.12 Purposeful/calculative approach

As this Chapter has shown, many entrepreneurs assessed their network ties on the basis of the key question whether they are entrepreneurs like themselves, have an entrepreneurial spirit, a similar vision and/or share with them a professional and/or educational habitus. In addition, entrepreneurs included entrepreneurial traits/characteristics characterising their network ties in their repertory grids. On the basis of these findings I argue that the distinction the entrepreneur makes between those ties who have an entrepreneurial dimension and those who do not, is fundamental to entrepreneurial cognition of social capital at the pre-organisation stage. This together with the findings in Chapter 6 where I suggested that the entrepreneurs had taken a calculative, purposeful approach to networking, strengthens the argument that (s)he is deliberately choosing ties who have something to offer to the entrepreneurial project, either in terms of their entrepreneurial nature and experiences, their competences or emotional support, as the analysis in Chapter 7, 8 and 9 has shown.

Repertory grids aim to bring out the entrepreneur's underlying perceptions of the entrepreneurial network, i.e. work on the unconscious and the analysis in this Chapter supports a calculative, conscious approach to network building and network

management at the pre-organisation stage in French entrepreneurial networks. However, the case of JMB casts doubt on this and raises the question whether assuming an entirely calculative, purposeful approach is an adequate reflection of entrepreneurial reality. For JMB networking is part of his daily life. In fact, as the following extract shows, he refuses any attempt to suggest any conscious choosing of network ties on his part, yet when we look at his repertory grid we find that he has integrated a large number of ties that have an entrepreneurial background, more than any other entrepreneur in the sample (see Appendix 6.3). Asking JMB on 25.08.2006 for his definition of the term network he responded:

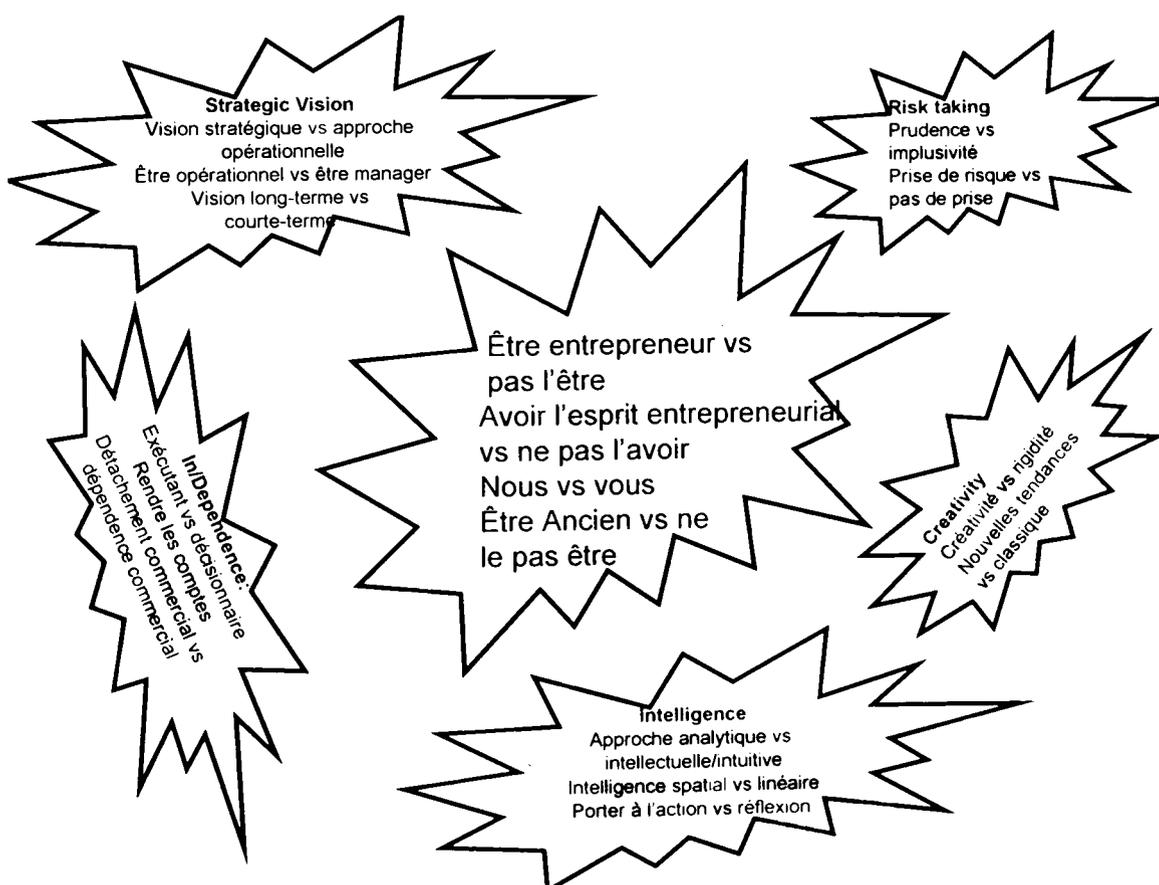
I don't have a definition, as I do not have a precise idea of what my network could be or how it could be of benefit for me. It is something that I live naturally, let's say. I find it very difficult to be conscious about my network, to network for the sake of networking, so that I can benefit from it. So I think really that the network which supports me at the moment is only a network that I would still entertain even I would not benefit at all or if it would not bring anything concrete, I would say. My definition of a network. I find it really difficult to answer, as in reality this is just a statement of diverse relations which brings something but not necessarily something concrete. So I don't see it as a network. I see it as a network once you start writing on paper or you talk about it or you try to make lists. But for me this is not a network, this is my daily life. These are people who I ring as I fancy ringing them without knowing whether I can benefit from this one day in the future. (Je n'ai pas de définition parce que je n'ai pas une idée précise de ce que peut être mon réseau ni de ce qu'il peut m'apporter. C'est-à-dire que c'est quelque chose que moi, je vis assez naturellement, on va dire. J'ai beaucoup de mal à faire... à avoir conscience de mon réseau, c'est-à-dire à faire du réseau *pour* faire du réseau, pour ce qu'il pourrait m'apporter. Donc je pense véritablement que le réseau sur lequel je m'appuie aujourd'hui n'est qu'un réseau que j'entreprendrais même s'il ne m'apportait rien du tout _ou qu'il ne m'apportait rien de concret, je veux dire. ...La définition du terme "réseau", c'est... *Ma* définition de *mon* réseau, j'ai du mal à la trouver parce que, en réalité, ce n'est que la constatation de diverses relations qui m'apportent quelque chose mais qui n'est pas forcément quelque chose de concret. Donc, en fait, c'est pour ça que je ne le vois pas vraiment comme un réseau. Je le vois comme un réseau quand on commence à l'écrire sur un papier ou quand on en parle ou quand on essaie de lister. Mais pour moi, enfin, ce n'est pas un réseau. C'est ma vie quotidienne, en fait. Voilà. C'est des gens que j'appelle parce que j'ai envie d'avoir de leurs nouvelles sans savoir si, un jour, ça m'apportera quelque chose).

For JMB a network starts when it is written on paper, when you start talking about it, when you start listing people. For him networking is part of his daily life and he is driven by '*envie*' when he contacts people, he *wants* to talk to them, take their news but not necessarily for the sake of deriving any commercial benefits for him or his venture. JMB's approach contrasts with the calculative and purposeful approach pursued by other entrepreneurs such as BS, NF, LS and E, as already commented upon in Chapter 6. What is special about JMB is, however, that his whole life has been driven by '*envie*'. This is indeed, why he set up his company and this is why he integrates certain ties.

This part of the Chapter has discussed the different entrepreneurial traits and characteristics the entrepreneur identified in his network ties and I have commented upon the different types of intelligence the analysis has highlighted. I suggest that the entrepreneurial assessment of network ties in terms of either them being an entrepreneur, having an entrepreneurial spirit and/or certain entrepreneurial traits as well as sharing the same vision and/or being Ancien indicates a search for like-minded individuals. The last part of this Chapter will illustrate the consequences of such like-mindedness for the entrepreneur and the entrepreneurial project.

Figure 10.7 summarises the findings from this Chapter and illustrates the relationship between the different concepts suggesting that the four key themes: *être entrepreneur vs pas l'être*, *avoir l'esprit entrepreneurial vs pas l'avoir*, *nous vs vous* and *être Ancien vs ne pas l'être* are closely associated with a number of entrepreneurial traits and characteristics, I discussed in this Chapter.

Figure 10.7 Entrepreneurial cognition of network ties



The following section will point out the consequences of like-mindedness as a characteristic of the relationship between the entrepreneur and his/her network ties.

10.13 Consequences of like-mindedness

10.13.1 Identification with the entrepreneur

The preceding discussion has shown that entrepreneurs tend to assess their network ties in terms of whether they are entrepreneurs themselves, have an entrepreneurial spirit, possess entrepreneurial characteristics, share the same vision and have the same educational background, thus sharing the same understanding of enterprise. This suggests that the entrepreneur seeks out network ties who are like-minded operating within a similar, or the same, 'cadre référentiel'. One consequence of perceiving ties as like-minded is a certain level of identification between the two parties. The analysis has suggested that we can distinguish between two types of identification:

- the identification of the individual tie with the entrepreneur due to similar entrepreneurial characteristics that generate like-mindedness

and

- the identification with the entrepreneur/tie as (s)he belongs to the network of the Anciens and hence to the closed circle of graduates of the French Grande Ecole.

The identification of a tie with the entrepreneur is a powerful driver for network ties promoting the entrepreneurial venture, as JMB's case shows. JMB underlined, in particular, the importance of MD, the president of the club P, JMB's last employer, for facilitating the start-up. With MD having been an entrepreneur himself, he opened his first supermarket when he was just 20 years old, he wanted to give JMB a helping hand and facilitate his start-up. Thus he made JMB aware of the benefits of a law passed in France in 2003 which awards the unemployed his unemployment benefits (ASSEDIC) for a duration of 18 months. He laid off JMB to benefit from this law which effectively helped JMB create his own business, as he had a certain financial security for the time indicated. As JMB emphasised in this extract taken from the interview on 25.08.2006, MD was among the triggers for the creation.

JMB: Well he created his first company at 20. This is very important. This is very important for his attitude towards me. When, just to complete the story, when I told him: I am employed at your place. I want to create my own company to work for the competition he did not only say yes but he even helped me. At first he made it possible for me to work part-time 50%-50% for three months. And at the end of the 3 months he laid me off so I could benefit from the ASSEDIC payments. Hence he helped me enormously. For a simple reason. He said; I created my own company. I know how hard it is. And today when I have somebody in front of me who wants to do it as well I

am rather inclined to help him than to prevent him. So he helped me. He was among the triggers. (Il a été créateur d'entreprise à vingt ans. Et c'est important. Dans sa réflexion vis-à-vis de moi, c'est très important. Puisque, pour la petite histoire, quand je lui ai demandé cette chose particulière qui était de dire: "Je suis salarié chez vous. Je veux créer ma société pour travailler pour un club concurrent", non seulement il m'a dit oui, en plus il m'a aidé. Alors, d'abord, dans un premier temps, il m'a permis de faire 50-50 sur mon temps pendant trois mois. Et, à l'issue de ces trois mois, il m'a licencié pour que je puisse avoir droit au chômage. Donc il m'a donné un coup de main énorme. Pour une seule et bonne raison, c'est qu'il a dit: "Moi, j'ai été créateur d'entreprise. Je sais la difficulté que ça représente. Et aujourd'hui, quand j'ai face à moi quelqu'un qui veut le faire, je suis plutôt enclin à aider qu'à empêcher." Donc il m'a aidé. Lui, il sera dans les éléments déclencheurs, bien entendu. (interview with JMB on 25.08.2006).

JMB further expanded on this person:

He never rings me, he never asks for anything and globally he would have no influence or impact if I had not asked him to. But every time I asked him for something, he has responded and he has been very supportive, with a lot of impact and very positive. (Lui ne m'appelle jamais, ne me sollicite pour rien et, globalement, il n'aurait aucune influence ni aucun impact si je ne le lui demandais pas. Sauf qu'à chaque fois que je le lui ai demandé il a répondu présent et il a été très bienveillant, très impactant et très positif).

RK: *Yes, very positive. Very supportive. And the third attribute?* (Oui. Très positif. Très bienveillant. Et le troisième attribut?)

JMB: *And with a lot of impact as he has impacted the venture a lot. In terms of the creation and its development* (Et très impactant parce qu'il a eu des impacts qui ont été vraiment forts. Dans la création et dans le développement). (interview with JMB on 25.08.2006).

As we can see from JMB's comments, MD had a major impact on the success of the entrepreneurial project. Even now, years later, when JMB was contemplating selling a part of his business to take up full-time employment with a former clients this particular tie remains supportive offering the help of his lawyer to study the terms and conditions stipulated in JMB's new contract.

JMB's case highlights the many ways a like-minded tie can influence the success of venture in terms of advice, providing new contacts and having a direct or indirect financial impact. MD saw a like-minded spirit in the young entrepreneur, which is very similar to NF, who pointed out in an interview on 01.03.2006 that one of his clients had recommended him to other colleagues due to a very similar rationale, ie. identification with the entrepreneur. The following extract illustrates NF's situation:

This means that my client recommended me to some of his colleagues and this was an enormous help. Because he knew that I was in the process of creating my own company and he wanted to help me. So that it would work out. He said I am going to help you, I am going to introduce you to some great guys and I developed a lot of business with C thanks to him (C'est-à-dire que c'est mon client qui ensuite m'a recommandé à ses collègues et ça, ça a été aussi une grande aide. Parce que comme il savait que j'étais en train de monter

ma boîte et tout, il a eu envie de m'aider. Et que ça se passait bien. Il m'a dit je vais t'aider, je vais essayer de te présenter des gens machin et j'ai fait beaucoup de business avec C grâce à lui).

RK: *He wanted to help you but why?* (Il a eu envie de t'aider Pourquoi?)

NF: *Exactly, he wanted to help me. In effect what was happening to him, he identified quite a bit with me. This is a guy who has about my age and he told himself and by the way to me as well that he would like to create a company. But he has a senior position at C and I think he is never going to create his own business but you never know, we will see. But he saw himself in my company creation.* (Exactement, il a eu envie de m'aider. En fait, ce qui se passe avec lui, il s'est pas mal identifié à moi, c'est un mec qui a à peu près mon âge et il s'est dit, et en fait, lui probablement, d'ailleurs c'est pas probablement il me l'a dit, il aimerait bien monter une boîte, mais bon, il a un gros poste chez C et tout, je pense qu'il ne montera jamais de société, mais on ne sait pas, on verra. Mais là, il s'est projeté à travers moi dans la création d'entreprise).

10.13.2 Sharing 'le même cadre referential - speaking the same language

I have already on a number of occasions in this Chapter highlighted the importance of ties sharing the same referencing system, 'le même cadre référentiel', which suggests that they use the same language, the same terminology to communicate. They inhabit the same professional habitus where they use the same language and terminology. In this section I will further illustrate the effect of likemindedness using the example of the Anciens who tend to assist each other with the entrepreneurial project, based on the simple understanding that they are graduates of the same Grande Ecole, and as I showed earlier, because they are part of the same year group, hence their ties have proved a certain durability and stability. I will in particular refer to the example of SLB and PP in this particular section. SLB talks about the 'effet école'. I asked him why an Ancien he had met at the launch of the Club des Entrepreneur on 01.03.2006, where I was present as well, had offered to help him with his entrepreneurial project. SLB responded drily:

Because of his fees. (Ses honoraires).

RK: *He is getting paid?* (Il reçoit des honoraires?)

SLB: *Yes, of course. But seen the way we work with him, I have the feeling it is not just that. I think that there is also the 'Effect Ecole'. There is the 'effect' people. I think he is very happy to work with us. Because he finds us clever and he believes in the project. It is a bit of all of that.* (Bien sûr. Mais, vu la façon dont on travaille avec lui, je sens qu'il y a plus que ça. Je pense qu'il y a aussi l'effet école. Il y a l'effet personnes. Je pense qu'il est content de travailler avec nous. Parce qu'il nous trouve plutôt malins et qu'il croit à notre projet. C'est-à-dire que c'est un peu tout).

RK: *So he believes in your project. He went to the same school?* (Il croit à votre projet. Il était à la même école).

SLB: *I think that the fact that we went to the same school together is very important* (Je pense que le fait qu'on ait fait la même école, ça a été important quand même).

RK: *What does this create this feeling of having been to the same school?* (Qu'est-ce que ça crée d'avoir ce sentiment d'avoir fait la même école?)

SLB: *This is exactly what I have said. You don't let anybody down who has attended the same school. It is this idea of community* (C'est exactement ce que j'ai dit. C'est qu'on ne laisse pas tomber quelqu'un qui a fait la même école. C'est cette idée de communauté).

RK: *So it is about a certain solidarity?* (Une certaine solidarité même?)

SLB: *Yes, of course* (Oui, bien sûr).

RK: *A certain ethics?* (Une certaine éthique?)

SLB: *Absolutely. That's it. It is really this idea of solidarity, yes. MLT who I don't know very well but she is ... she is very helpful. Plus she is...she is somebody who wants to do things well and who also accepts positive criticism.* (Absolument. C'est ça. C'est vraiment l'idée de la solidarité, oui. MLT, je ne la connais pas très bien mais elle est... Je la trouve très volontaire, très... En plus, elle est... C'est quelqu'un qui a envie de bien faire et qui, du coup, accepte la critique positive).

Whereas the fees the Ancien receives for his contribution to the entrepreneurial project are certainly a driver for his participation in SLB's entrepreneurial project, there is more to this than meets the eye. As SLB underlined, there is also the '*Effet Ecole*' which makes it that Anciens, who do not know each other, start working together, take an interest in the entrepreneurial project of the other person. As he explained, the fact that people went to school together means that you cannot simply let this person down. There is a type of community that exists which is governed by a certain solidarity among its members. Such solidarity can work in favour of somebody but also against him, when his behaviour does not correspond to what the community expects him to do, as I will illustrate in R's case.

Similar to SLB, R believes that the network of the Anciens can bring much to his entrepreneurial project as these ties possess certain experiences of benefit to his venture. He also pointed out the aspect of self-regulation of the network, which is a very small community with strict rules for 'correct', ethical behaviour. The community is built on trust and credibility which stems from having the same educational background and having acquired a certain professional position. People, even though they are complete strangers, tend to give each other more time than they would normally. As R commented:

I think that these are people who can bring something to the project because they have a certain type of experience. They have followed the same course, there is a self-regulation, I think, in a group, like this, which makes it that everybody has an interest in doing the other a favour (Je pense que ce sont des gens qui peuvent m'apporter parce qu'ils ont une forme d'expérience. Ils ont fait le même parcours. Il y a aussi une autorégulation, je pense, dans un groupe comme ça, qui fait que tout le monde a intérêt à rendre service à tout le monde).

RK: *A self-regulation? What does this mean?* (Une autorégulation? Ça veut dire quoi?)

R: *This means that this is a small world and everybody has an interest in behaving perfectly. Maybe 'perfect' is not the right term, let's rather say irreproachable* (Ça veut dire que c'est un petit monde et que tout le monde a intérêt à avoir un comportement parfait. Alors, "parfait" n'est peut-être pas le bon terme. Disons plutôt irréprochable)

RK: *Is this a question of trust?* (Est-ce que c'est une question de confiance?)

R: *Yes* (Oui).

RK: *Where does this trust come from? From the fact that you attended the same course?* (Et cette confiance vient d'où? Du fait qu'on a fait le même parcours?)

R: *This is really a question of trust and credibility which comes on the one hand from having attended the same course, from their professional position and the adherence to a small network, the belonging to a common network* (Alors, c'est une question de confiance et de crédibilité qui vient à la fois du fait qu'ils ont le même parcours, de leur position professionnelle et de l'appartenance à ce petit réseau, de l'appartenance à un réseau commun).

RK: *Is this not also linked to a certain ethical behaviour?* (N'y a-t-il pas aussi presque comme une certaine éthique qui va avec ça?)

R: *Yes. I think that in a small community, in general, the person who does not respect the strong ethical rules loses his credit with the whole community. He also takes the risk of...* (Oui. Je pense que, dans une petite communauté, globalement, celui qui ne respecte pas des règles d'éthique fortes perd tout crédit vis-à-vis de l'ensemble de la communauté. Enfin, prend le risque ...)

RK: *So it is because you have the same educational background?* (Parce qu'avoir le même parcours... Bon).

R: *Yes, indeed. But in certain cases this was a long time ago... This is how it works. It is about belonging to a small network. But there is also the aspect that we went to the same school together; this is effectively something which carries an affective dimension. This means that some people, I think, are very attached to their school and they would spend a quarter of an hour, twenty minutes talking to you* (Voilà. D'autant plus que, dans certains cas, c'était il y a longtemps). C'est plutôt ça qui fonctionne. L'appartenance à un petit réseau. Il y a aussi un point qui est... Le fait d'être passés par la même école, effectivement, c'est quelque chose qui comporte une connotation affective, en fait. Ce qui fait que certaines personnes, je pense, sont attachées à leur école et, du coup, vont accepter de passer un quart d'heure, vingt minutes pour en parler).

RK: *So people would give you a bit of their time more easily* (C'est ça. On vous donne un peu de temps plus facilement).

R: *That's it, I think. Which is not... Among all the people I have contacted this has not systematically been proven but I think generally this is like it.* (Voilà. Je pense. Ce qui n'est pas... Dans l'ensemble des personnes que j'ai contactées, ça n'a pas été confirmé systématiquement mais je pense que, globalement, c'est quand même le cas).

RK: *Have you had any bad experiences?* (Vous avez eu des mauvaises surprises?)

R: Yes (Oui).

RK: *In the network?* (Dans le réseau?)

R: Yes (Oui).

RK: *In what sense.* (Dans quel sens?)

R: *In the sense where ... There are cases which I understand. There are people who can be very occupied, who don't have the time and who refuse any request for information. I understand this. In return, there is also the precise case of an Ancien who did not behave according to the strong ethical rules.* (Dans le sens où... Alors il y a des cas que je comprends. Des personnes qui peuvent être très occupées, qui n'ont pas le temps et donc qui déclinent les demandes de renseignements. Ça, je comprends. En revanche il y a eu également un cas précis d'un ancien qui n'a pas fonctionné sur une règle éthique forte).

RK: *According to strong ethical rules? What does this mean? What did he do?* (Sur une règle éthique forte? Ça veut dire quoi? Qu'a-t-il fait?)

R: *Lack of respect of the word given, of the accepted commitment. This type of thing. The case I was thinking about, which is very concrete, I have in fact discussed it with some other Anciens who had the same experience of misadventure. Before we were talking about the ethics necessary in a small community. And there this person, to be precise, he was discredited by his network. This is a pity for this person. There we have a loss of trust and credibility.* (Manque de respect à la parole donnée, aux engagements pris. Ce genre de choses. Le cas auquel je pense, qui est très précis, j'en ai parlé, du coup, à d'autres personnes du réseau qui ont eu le même type de mésaventure.... Tout à l'heure, on parlait de l'éthique qui est nécessaire au sein d'une petite communauté. Et là, cette personne-là, concrètement, s'est discréditée par rapport à son réseau. Donc c'est dommage pour cette personne. Là, on a une perte de confiance et de crédibilité).

R remembered a case where the person was discredited by the network as he did not adhere to the strict ethical and behavioural framework that applies to the community of the Anciens. The person did not stick to the word given and the commitments he had made which resulted into an exclusion from the network of the Anciens. Such group behaviour is an example of social control where control arising from norms of trust and reciprocity governs transactions in entrepreneurial dyads (Larson 1992).

Sharing discussed the importance of speaking the same language and sharing a professional and educational habitus the following section will explore the issue of trust in greater detail.

10.14 Building Trust

A further consequence resulting from the identification with like-minded people is trust (for more information see section 4.6.3). R's earlier comments have already underlined the importance of trust in a small network community (see section 10.11.2 and I had already commented on the importance of trustful relationships between the entrepreneur and his family and friends in Chapters 7 and 8 respectively). In entrepreneurial networks trust is an important component of the exchange relationships as it increases the firm's opportunities, improves its access to resources and add to its flexibility. As Goel and Karri (2006) as well as Kohtamäki, Kekäle & Viitala (2004) argue, entrepreneurs need to trust others and trust plays a major role in particular in the early stages of venture creation

The following section illustrates different types of trust as resulting from the cognitive processes of having network ties assessed as like-minded individuals belonging to the same 'cadre référentiel'. One of the key themes that permeates a number of interviews is the idea of ties either trusting the entrepreneur or having faith in the project. In addition, entrepreneurs also assess ties in terms of the trust the latter place in them. Furthermore GK's analysis of his network ties focuses on the question of '*confiance*' (trust) and whether trust needs to be based on written or oral confirmation. The following extract from the interview with GK on 26.07.2006 illustrates the way the entrepreneur views his ties:

GK: Ok, yes...there are people who say things and who you cannot trust. There are those who you think you can trust but finally it is better if it get written down. But for many operational reasons we accept this is not done. And also because there are

things that you cannot write down. An accountant never writes anything down: Yes, you have the right to do this and you would not pay any VAT on it, even if this was a bit risky. This would be an aggressive position tax-wise. They would never write this kind of stuff. They would say it but never write it. And then there are those where you know that it is not even worth writing it down, as they have no objective reason to harm you, so they have no objective reason to lead you astray. And if they did, it would be in good faith. But these would not be the people with whom you would have problems afterwards. In my work I find it very difficult to judge all my business partners and to what extent I can trust what they say or not, and this means judging at what point I need to put pressure to have something in writing or not. Take for instance all my clients. I don't have a single client without a contract. There are clients who ask me to work for them but I systematically tell them that the prerequisite is the signature on the contract. Because this protects both parties (Alors, oui. C'est... Il y a des gens qui disent des choses et auxquels on ne peut pas faire confiance. Il y a ceux auxquels on pense qu'on devrait faire confiance mais enfin c'est quand même mieux que ce soit écrit. Mais, pour plein de raisons opérationnelles, on accepte que ça ne le soit pas. Et puis parce qu'il y a des choses qu'ils n'écriront pas. Un expert-comptable n'écrira pas: "Oui, vous avez le droit de faire ça comme ça et vous ne paierez pas la TVA dessus, même si c'est un peu chaud. C'est une position agressive fiscalement." Ils n'écriront pas ce genre de chose. Ils le diront mais ils ne l'écriront jamais. Et puis il y a ceux pour lesquels on sait que ce n'est même pas la peine qu'ils écrivent parce qu'ils n'ont aucune raison objective de vouloir vous nuire, donc ils n'ont aucune raison objective de vouloir vous induire en erreur. Et, s'ils le font, en tout cas, c'est en toute bonne foi. Donc, de toute façon, ce ne sont pas des gens avec lesquels on ira au conflit ensuite. Donc le boulot que moi, j'ai par rapport à tous ces interlocuteurs, mais quels qu'ils soient, c'est de juger si je peux m'en tenir à ce qui est dit ou pas et c'est de juger à quel point je mets la pression pour avoir des documents écrits ou pas. Par exemple, tous mes clients. Je ne travaille avec aucun client sans contrat. Il y a des clients qui me demandent d'intervenir, je leur dis systématiquement que le préalable, c'est la signature d'un contrat. Parce que ça nous protège tous les deux).

RK: *Yes, of course. I have put here on one side the idea 'written =trust'* (Oui. Bien sûr. Donc l'idée que j'ai mise là... D'un côté j'ai mis: "écrit = confiance.")

GK: *Yes* (Oui).

RK: *And there we have put: 'oral=trust'*. (Et là, on a mis: "oral = confiance").

This extract shows that for GK trust boils down to a very simple equation, trusting somebody is about having something in writing, a rule he certainly applies to all his clients. As he admitted, however, there may be cases where trust does not need a written confirmation, but this varies from case to case. Trusting people requires understanding their psyche and their objectives. As he explained further:

This differs from partner to partner and it is quite variable, I would say from status to status. This means that there are some clients, for instance, for whom I just need a confirmatory email and there are clients from whom I want a written contract, signed as I feel that they could be malicious. (C'est variable d'un interlocuteur à l'autre et c'est même variable, je dirais, d'un statut à l'autre. C'est-à-dire qu'il y a des clients, par exemple, avec lesquels je me satisfais d'un e-mail et il y a des clients avec lesquels je ne me satisfais que d'un contrat écrit, signé parce que je sens qu'ils pourraient être malicieux.

RK: *OK. Yes.* (Ok, Oui).

GK: *So defining this more precisely this is really a result of the discussions with these people, to understand their psyche, where they want to go...So it is a very fine assessment. From one client to another this can be very different. From one person to another this can be very variable* (Définir ça de façon précise, c'est vraiment le fruit de discussions avec ces gens-là, de comprendre quel est leur psychisme, où est-ce qu'ils veulent en venir etc. Donc c'est très fin, en fait. D'un client à l'autre, ça peut être très variable. D'une personne à l'autre, ça peut être très variable).

This last part of the Chapter has illustrated the consequences of like-mindedness for the entrepreneur and the entrepreneurial venture in terms of the benefits for the entrepreneur and the entrepreneurial venture.

10.15 Conclusion

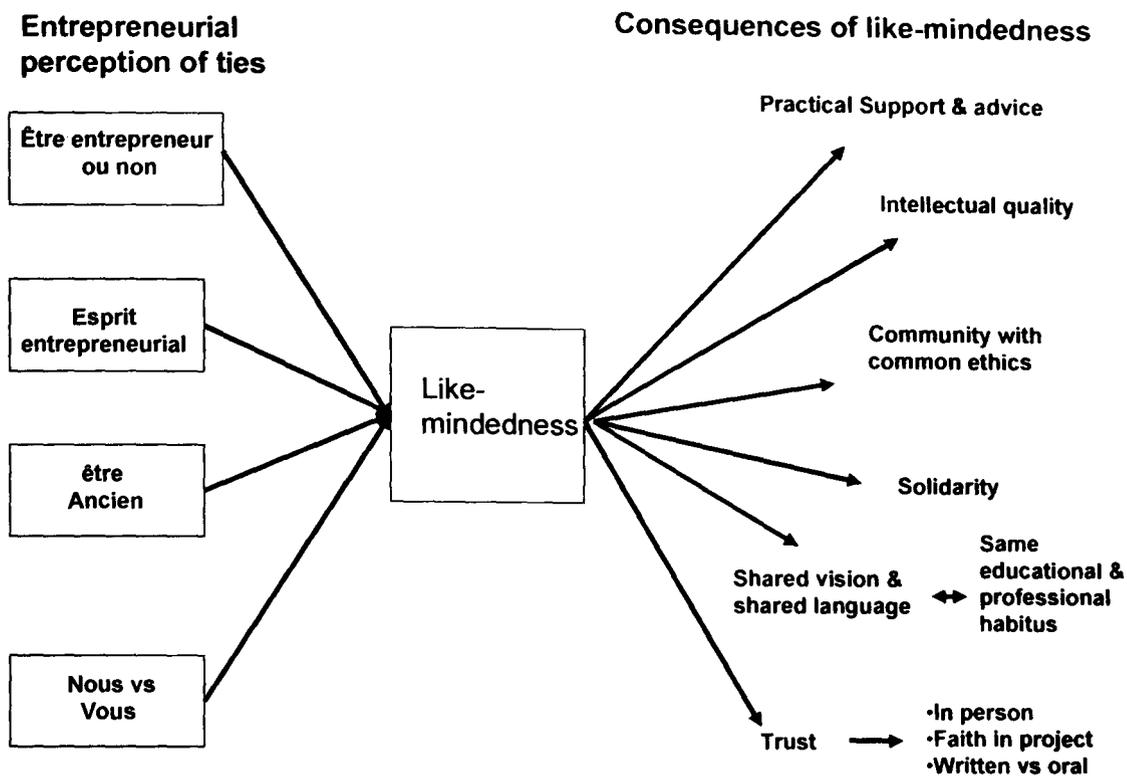
This Chapter contributes to the existing literature on the cognitive dimension of social capital by demonstrating the importance of entrepreneurial cognition for the perception of network ties at the pre-organisation stage. The analysis shows that the entrepreneurs assessed network ties in terms of three major categories: a) *être entrepreneur vs pas l'être*, b) '*Nous vs Vous*' and c) *être Ancien ou non*. The first theme was further differentiated into a number of subthemes relating to the '*esprit/mentalité entrepreneurial*' and '*être entrepreneur vs employé*'. For the theme '*Ancien*' it was important that the tie had a certain historicity and ties had attended a Grande Ecole together, thus emphasising the importance of a joint educational habitus. The bipolarity '*Nous vs Vous*' emphasised the idea of ties sharing the same vision of the entrepreneurial project, as well as the sharing of a joint referencing system and speaking the same language, ie. sharing a professional habitus.

Furthermore the analysis suggests a number of entrepreneurial traits/characteristics the entrepreneur identified in his ties, many of which were similar to those suggested by the standard entrepreneurship literature. This research contributes, however, to the existing literature by adding new aspects, in particular related to the different types of intelligence the entrepreneur involves in his network ties. The latter aspect is of great novelty as it provides evidence of Sternberg's (2004) three-tier categorisation into creative, analytical and practical intelligence within the context of entrepreneurial networks at the pre-organisation stage, but also expands on Sternberg by adding GK's notion of '*intelligence linéaire vs intelligence spatiale*', which is of direct relevance to the entrepreneurial context.

This research offers a major contribution to the existing literature on social capital as it is one of the few empirical studies that has focussed on *all* three dimensions of social capital. The findings suggest that entrepreneurs take a purposeful, deliberate approach to networking, similar to the 'motivated tactician' (Schwarz 1998). Entrepreneurial cognitive processes lead the individual to choose ties that have either a similar entrepreneurial disposition or are complementary to the entrepreneurial nature, in terms

of competences, for instance. Ties, be it family, friends or professional ties get assessed according to the different categories I discussed earlier in this Chapter. Cognitive social capital is used to establish trust, mutual expectations and obligations governing behaviour and ethics between the different parties. Hence I put forward the argument that cognitive processes, which I explored in detail thanks to repertory grids, are the starting point for creating the relationality between the entrepreneur and the ties necessary for the start-up activities at the pre-organisation stage. The structural dimension of the network develops consequently. This is different from Liao & Welsch (2005), whose data had suggested that structural social capital influences relational and cognitive social capital, but is similar to Lee & Jones (2006), whose research highlighted that the cognitive social capital dimension is the basis of relational social capital. This study has the advantage of having taken a holistic approach to the exploration of social capital which has permitted to see the linkages between the different dimensions of social capital. Figure 10.8 summarises the findings of this Chapter

Figure 10.8: The relationship between the entrepreneurial perception, like-mindedness and its consequences



The Chapter that follows will conclude this research pointing out the major contributions to knowledge, practical implications of this study as well as limitations of the work.

Chapter 11: Conclusion

11.1 Introduction

This concluding Chapter draws together the different strands of my research and outlines the contributions made to theory and practice. I begin by restating my research questions and the objectives of the study, and then go on to locate new implications for French Business Schools and their entrepreneurial agenda and entrepreneurial agendas more widely, I then review the different contributions I make to theory and practice with reference to the literature presented in Chapters 2-5 and the analysis in Chapters 6-10. In conclusion I identify the limitations I perceive in this research and comment upon the confidence I have in the knowledge claims made.

The research has focused on French Grandes Ecoles and a recent emphasis they have placed on entrepreneurial development. As Chapter 2 has shown, the French context is quite different from the Anglo-Saxon/North American model. This study enabled the role of social capital in entrepreneurial networks emerge. The stage examined has been the pre-organisational stage and I have researched the three dimensions of social capital: The structural dimension of social capital which focused on who are members of the entrepreneurial networks and at what stage they become influential; the contributions each brings to the entrepreneurial venture, i.e. the relational side of social capital; and the cognitive dimension, which explains the values the entrepreneurs have, and how these are shared between the entrepreneur and those embedded in the network.

The investigation of these dimensions guided this research and led to my understanding of how *all* three dimensions of social capital come together, an endeavour very few studies have undertaken to date (Chapter 4). My overall objective has been to generate new understandings specific to the three dimensions of social capital specifically within French entrepreneurial networks at the pre-organisation stage.

The objectives I addressed were as follows:

1. To conduct a qualitative study in a selected number of organisations in order to understand the role of social capital
2. To establish the individual's perception of entrepreneurial networks in the different phases and to identify associated activities and ties involved in the venture.

3. To investigate the notion of the entrepreneur's perception of the different contributions network ties make to the entrepreneurial venture and the reasons for their involvement.
4. To explore the socio-economic, political and educational factors that impact entrepreneurship and enterprise creation in the French context and identify both possible impediments and facilitators to business start-up.
5. To explore the concept of an Ancien in the context of the French system.
6. To locate the findings in the appropriate literature on entrepreneurial network and social capital theory.
7. To develop recommendations for policy and practice in the field of entrepreneurial support

The following section is structured around the different contributions this study makes to existing theory and practice. In particular I focus on the importance of the three dimensions of social capital but I will also highlight how this research contributes to entrepreneurial network theory.

11.2 Extending entrepreneurial network theory

11.2.1 The importance of context

The first theoretical contribution to emerge from the analysis of the data is the importance of contextual aspects for the process of enterprise creation and network development. This idea of the importance of context is one that has appeared in a number of other studies of entrepreneurs such, for instance, in Cope (2004) in relation to learning and in Thorpe et al. (2008) with relation to knowledge acquisition. However, already Van de Ven (1993, read in Ucbasaran, Westhead & Wright 2001) highlights that entrepreneurship research "treats the social, economic and political infrastructure for entrepreneurship as externalities" (p. 67).

This thesis develops an argument which extends the cultural and historical context of entrepreneurial network theory in that it shows how socio-economic, political and educational aspects impact on entrepreneurship and enterprise creation in the French

context. In particular I highlight the close relationship that exists between French business, the state and the Grande Ecole system which offers a unique opportunity to foster the development of enterprise. However, up until this time this close cooperation between the three key players has held up the development of entrepreneurs and enterprise creation among Grande Ecole graduates, which also finds a reflection in the small number of creations by the latter (see Chapter 2).

Although authors such as Granovetter (1992) and Johannisson et al. (1994), (who I refer to in Chapter 3), have highlighted the importance of context in entrepreneurial network studies, the contextual nature of entrepreneurship has rarely been considered through actual research. In general, entrepreneurship theory tends to focus on the individual and de-contextualised activity (Steyaert 1997), neglecting almost completely that the context enables the entrepreneur to practically realise or enact his venture (Johannisson et al. 1994). This study takes theory further in that it has been able to develop an in-depth understanding of the different contextual factors and how they impact enterprise creation and entrepreneurial network development. From my perspective entrepreneurial networking is less understood as a quantifiable phenomenon, but is more about the process that involves a range of contributing individuals who are placed in a particular socio-economic, political and educational context, i.e. France, which inevitably impacts on both the process of creation but also the development of the entrepreneurial network. I go on to expand on previous understandings through the way that I am able to account for how entrepreneurs construct their entrepreneurial networks at the pre-organisation stage within a non-Anglo-Saxon, i.e. French context (see Chapter 6). This contextual aspect of entrepreneurial networks has been previously underrated within the literature yet is likely to yield an interesting area for future entrepreneurship research. As a result, researchers should consider their research and their findings against the backdrop of a cross-national, national, regional and local context, instead of continuing to pretend that the research is happening in a contextual void.

11.2.2 Focus on the pre-organisation stage

A second factor the thesis contributes to is an understanding of the importance of social capital at the *pre-organisation* stage. Based on my pre-understanding (see Chapter 5) and a literature review (see Chapter 3, where I highlight the paucity of research on entrepreneurial network dynamics at the pre-organisation level) I deliberately designed my research in order to follow Hansen & Wortman's (1989) and Katz & Gartner's (1988) argument that 'something' (a germ of an idea) already exists before the actual creation of the company. The lack of research in this area of the pre-organisation stage makes the findings of this study particularly valuable. As McKelvey (2004) points out, research aimed at the initial start-up phase is essential to producing effective knowledge of use to start-up entrepreneurs.

The results show that much entrepreneurial activity happens at this early stage of the venture creation and that the different players and their contributions are shown to be key to the success or failure of the fledgling venture (Chapter 7-9). The example of XD (see section 9.1.10.2), who happens to be PP's friend from Grande Ecole times, but also is an entrepreneur himself and whose public relations experience proves to be vital to get the young venture off the ground, is just one illustration of the importance of these network ties at the pre-organisation stage. The implication of this for 'educational programmes is the need for a better integration of entrepreneurial alumni and entrepreneurs in general in programme design, an aspect I will further discuss in section 11.4.2.

This thesis develops important insights into the roles and contributions of different individuals at this early stage of the entrepreneurial project (see Figures 7.1, 8.1 and 9.1 and 9.2), which need to be extended to different contexts, in France, but also internationally. So, if conducted in France, the focus might be on a university rather than a Grande Ecole context aiming to compare and contrast the different types of individuals involved in the venture with their respective contributions at the pre-organisation stage. Equally important would be an investigation of the role of social capital at the pre-organisation stage across different cultural contexts as I speculate that networking and network management at the pre-organisation stage might differ across different cross-cultural contexts.

11.3 Extending existing Social Capital Theory

A number of contributions are also made to all three of the different dimensions of social capital: structural, relational and cognitive, which I will expand on in the following sections.

11.3.1 Contributions to the structural dimension

A further theoretical contribution that emerged from the data was the creation of a phases' model that extended the present understanding of entrepreneurial networking at the pre-organisation stage. As shown in Chapter 3, the majority of researchers rely on traditional life cycle models developed by Churchill & Lewis (1983), Flammholz (1985) or Wilken (1979) which refer to the small business context but not specifically to entrepreneurial ventures at the pre-organisation stage and although researchers such as Butler & Hansen (1991) and Larson & Starr (1992) suggested their own phases' model, only the former was tested formally, which again underlines the limitations of existing research.

This thesis has gone further by seeking the *entrepreneurial* perception of the actual processes. Thus, in contrast to existing research this study has privileged entrepreneurial sense-making of networking processes at the pre-organisation stage and has thus extended our theoretical understandings (see Chapter 6). By using already existing phases' models for the small business context researchers tend to view entrepreneurial networking through these models, a practice that may not be entirely helpful as it imposes a structure upon the entrepreneurial venture that assumes that it will reflect the entrepreneurial reality. Examining entrepreneurial network activities in this manner will, however, only allow us access to partial and incomplete meanings. Through obtaining a full view of the different activities and the different individuals involved at the pre-organisation stage, seen from the entrepreneur's perspective, this thesis has added to our theoretical understandings in the way that it has underlined the importance and the need to take account of the entrepreneurial perception of entrepreneurial reality, to a much larger extent than to date. This might best be achieved through inductive rather than deductive approaches which, I argue, will lead to a much richer and certainly different perspective on entrepreneurial realities. The methodology adopted in this thesis used repertory grids, an approach which requires skills in both founders of business and researchers of business that will enable them to reflect for themselves or help others reflect on important contextual issues in both the national and regional

environment for entrepreneurship and enterprise creation. The importance of reflection as a concept will again be raised in section 11.4.1.

11.3.2 Contributions to the relational dimension of social capital

The examination of the relational dimension of social capital identified a range of different findings that advance the present knowledge base on social capital on three accounts: teams, the importance of alumni and the quality of ties (multiplexity of ties).

11.3.2.1 The team perception

This thesis contributes to the understanding of the different dimensions of social capital as seven out of the thirteen cases in this research (see Chapter 5) are team foundations. A major contribution to the existing literature was made through the demonstration of the roles and contributions that the co-founder makes at the pre-organisation stage (see Chapters 7, 8, 9), which corresponds to Fletcher's (2007) demand for more multi-voiced accounts of the entrepreneurial process with less focus "on the single heroic entrepreneur" (p. 657). This finding chimes well with notions appearing in the literature that relates to distributed leadership (Spillane 2006) where managers work by influencing others having already identified where the source of knowledge lies and the skills to deliver and influence decisions and plans at different stages of the evolution of a project or an idea.

By taking a Social Constructionist perspective this study has allowed a multi-voiced perspective of entrepreneurial perceptions of the venture creation process which serves to underline both the deficiencies in our current perceptions of entrepreneurial networking and our lack of knowledge of the role of social capital in entrepreneurial teams at the pre-organisation stage. Rather than assuming a uniform approach in an entrepreneur's meaning-making processes, future research on social capital in an entrepreneurial context would benefit from adopting a multi-perspectival view of entrepreneurial networking within teams and developing methodologies like the one chosen for this research to obtain an alternative view of entrepreneurial reality, which would mean making more of interviewing a wider range of individuals involved in the venture creation process. This approach would certainly shed further light on the cognitive dimension of the 'collective mind' of teams, an area in need of further investigation (Sapsed et al. 2002).

11.3.2.2 Importance of the alumni network

As was shown in Chapter 2, Grandes Ecoles graduates who become entrepreneurs are still a rare phenomenon in France. This explains why, to my knowledge, little research has focused on this group of French entrepreneurs and the investigation of the networks of these Grandes Ecoles graduates (Anciens) is an important contribution to the extant literature on entrepreneurial networks in a French context. The current research confirms the key role of Anciens as individuals with whom the entrepreneur shares an educational and a professional habitus (Chapters 8 and 9).

Through obtaining a full view of the roles and contributions of the Anciens at the pre-organisation stage (Chapters 8 and 9), this thesis adds to our theoretical understandings and underlines the importance of future research taking into account the importance of alumni for the venture creation process as these individuals are able and experienced enough to offer a strong critique to the business idea whilst at the same time being supportive to the individual and enabling critically reflective processes to begin (see the example of N in the case of JMB in section 8.5 and XD in section 9.I.10.2). Such investigations could focus on other French contexts such as French universities, which traditionally have not prioritised the development of networks of Anciens, but also different cross-cultural contexts.

11.3.2.3 The quality of network ties

A further dimension which emerged from the data related to the networks is the importance of the quality of ties or the multiplexity of ties and the investigation of the compositional quality of network ties. The literature review in Chapter 3 has certainly been indicative of the different ties that are involved in the different phases of the young venture giving information about the structural dimension of social capital, yet there is little or no qualitative information available as to why the entrepreneur involves these individuals in the different stages and what they bring to the entrepreneurial venture. In fact, existing research does not investigate the content and the quality of the ties nor explore the multiplexity of the ties in detail. Instead, emphasis has been on measurable and quantifiable aspects associated with entrepreneurial networks (Chapter 3). The findings of this study suggest, however, that the more multiplex the more desirable these ties are, which explains why the entrepreneurs in this study do not hesitate to involve individuals that combine a multitude of roles such as, for instance, the Anciens. Through a more detailed picture of the quality inherent in network ties at

the pre-organisation stage this thesis has extended our theoretical understandings and emphasised the need for future research to further investigate tie quality in different contexts and at different stages of the entrepreneurial venture. In particular qualitative approaches, similar to the current research, using repertory grids to investigate tie quality could bring new insights to the nature and strengths of existing research.

11.3.3 Contributions to the cognitive dimension of social capital

As shown in Chapter 10 early work by Casciaro (1998) and Krackhard (1990) in the 1990s focused on an individual's ability to perceive network ties, yet Chapter 4 highlighted the paucity of research on the cognitive dimension of social capital, despite researchers such as Baron's (1998, 1999, 2004) plea for more research on entrepreneurial processes from a cognitive perspective. One of the key concepts that emerges from the current research is the entrepreneur's quest for, what I refer to as 'like-mindedness' in the individuals engaged with his/her venture. As Chapter 10 shows, entrepreneurs tend to assess their network ties in terms of whether the ties are *entrepreneurs themselves*, have an *entrepreneurial spirit*, possess *entrepreneurial characteristics*, share the same *vision* and the same *educational habitus*, thus sharing the same understanding of enterprise. This suggests that the entrepreneur seeks out individuals who are like-minded, or operate within a similar, or the same, '*cadre référentiel*'. Repertory grids play a key role in teasing out the entrepreneurial perception of the network ties at the crucial stage of the pre-organisation.

What this current research offers is an alternative way of viewing entrepreneurial network ties through the lens of like-mindedness. Further research is necessary to investigate this new concept in different entrepreneurial contexts, either in France and/or internationally, yet equally important is placing the concept of like-mindedness within the context of business support and education policy, which is outlined in sections 11.4.

11.3.4 Methodological contributions

I also argue that this thesis makes several methodological contributions to both entrepreneurship and social capital theory as it benefits from adopting a combination of Social Constructionist and Constructivist approaches and, in particular, the application of repertory grids, a tool, I consider, has been underexploited in entrepreneurial research and in other areas such as supply chain management (see for instance Goffin, Lemke &

Szwejczewski 2006) and, is, to my present knowledge, not known at all in the French context. The application of Kelly's repertory grids within an entrepreneurial context facilitated a truly in-depth investigation of cognitive processes and the application of the triad method (Chapter 5) proved to be an appropriate tool for comparing and contrasting individual network ties in terms of their contribution, but also for exploring deeper values that were often not immediately evident to the respondent. This is very much in line with Goffin, Lemke & Szwejczewski (2006) who emphasised the value of repertory grids in pushing interview subjects "to articulate their views on complex issues" (p. 196) which would move them "beyond the use of jargon" (p. 196). As a result, repertory grids have the primary purpose of enhancing our understanding of individual human action and the personal context from which experience originates.

The application of this methodological tool has certainly extended my own boundaries in terms of linguistic and creative abilities, yet also provided significant insights into the entrepreneurial perception of network ties. As a result, I privileged the views of the *entrepreneur*, not that of the researcher, an approach which assisted greatly in providing an accurate reflection of *entrepreneurial* reality, which expands previous understandings of how entrepreneurs construct their entrepreneurial networks and how they perceive the different individuals and their contributions at the different stages of the venture creation process. Given the appropriateness of repertory grids in stimulating interviewees to think deeply about relationships with the potential to move beyond immediate reactions (Goffin, Lemke & Szwejczewski 2006), the application of this tool in other entrepreneurial contexts, either industrial or cross-national, would provide researchers with the opportunity to move away from the application of standard qualitative tools such as semi-structured interviews, probing deeper into unexplored domains of entrepreneurial perception.

Furthermore the current research also benefits from a case study design that combines both longitudinal and retrospective approaches. Given that entrepreneurship and entrepreneurial networking are both about processes (Chapter 3) and that we find few process-orientated studies, a notable exception is Schutjens & Stam (2003) (see Chapter 4), I argue that this research contributes significantly to existing literature as it responds to the plea of researchers such Bygrave (1989), Coviello (2005) and Granovetter (1973) for more longitudinal research (see Chapter 5).

The literature on entrepreneurial network dynamics emphasises measuring (see Chapter 3), yet entrepreneurial networks are about interaction, about entrepreneurial networking processes. This research aimed to establish how entrepreneurs negotiate their entrepreneurial reality by deliberately choosing a longitudinal, process-orientated approach and thus contributes significantly to the existing research on the role of social capital in entrepreneurial networks. As a result, this approach moves away from the standard retrospective view of entrepreneurial activity which only provides snapshots of entrepreneurial reality.

What this current research with its mix of retrospective and longitudinal cases provides is an alternative to merely viewing entrepreneurial network ties from a single perspective. This approach which favours a holistic view of entrepreneurial network activities at the pre-organisation stage could be replicated in different entrepreneurial contexts in France or on an international level.

11.3.5 The interrelatedness of the different dimensions

This thesis also significantly contributes to our understanding of the interrelatedness of the three dimensions of social capital. Building on Liao & Welsch (2005) who criticise the literature on social capital for being uni-dimensional (Chapter 4) and given the paucity of studies with focus on all three dimensions (Chapter 4) my study set out to investigate social capital in a comprehensive manner and as a consequence I have, I believe, made a significant contribution to the extant literature.

My view suggests that structural, relational and cognitive social capital are interrelated, and in a similar way to Lee & Jones (2006) whose research highlighted that the cognitive social capital dimension is the basis for relational social capital, this research found that cognitive processes (Chapter 10) are the starting point for the relationality (Chapters 7-9) between the entrepreneur and his network ties at the pre-organisation stage. The structural dimension of social capital (Chapter 6), i.e. the network develops as a consequence of the latter two. What this research adds is the holistic view of the interrelatedness of the three dimensions and thus expands our previous understandings, yet also emphasises the need for future research to develop appropriate methodologies like the one chosen in this research to gain a better understanding of all three dimensions of social capital.

11.3.6 Multi-cultural contributions: Unique point of view

I suggest that I was in a privileged position when conducting this research given that I am German working at a French Grande Ecole. The fact that I am not French, but I have been living in France for seven years, has, on the one hand, made it possible for me to take a more objective approach to researching social capital in entrepreneurial networks. On the other hand my embeddedness within the French Grande Ecole system has provided me with a unique understanding of contextual factors impacting French entrepreneurship specifically, but also more generally French business culture. This research was made possible due to unique access to the association of the Anciens at the ESC Rouen and their members, a closed network that would have been very difficult to enter for a researcher residing outside the system. Through the association I had access, though still restricted, as pointed out in Chapter 5, to entrepreneurial Anciens and the tacit aspects of entrepreneurship and entrepreneurial network dynamics at the very important pre-organisation stage. I conducted all interviews in French which required a high level of linguistic proficiency, but also ensured that there was no data lost in translation. Parts of interview transcripts were later translated for the purpose of the analysis as represented in Chapters 6 to 10, the French original was provided as evidence in the respective Chapters.

11.3.7 Reflections on research process

The rationale for combining semi-structured interviews, observation and repertory grids in this study has been outlined in Chapter 5. The multi-method approach provided me with a deep insight into the entrepreneurial perception of network ties at the pre-organisation stage. In-depth individual interviews were chosen to establish the core material of the research in order to gain a better understanding of the entrepreneur, the entrepreneurial project and the network ties involved. The semi-structured approach offered the necessary flexibility to accommodate the individual requirements of the entrepreneur and adjust the flow of the conversation in line with possible time constraints on the side of the entrepreneur.

The application of Kelly's repertory grids (Chapter 5) facilitated a truly in-depth investigation of cognitive processes and (participant) observation of entrepreneurs at their work place and during round table discussions organised at the ESC provided an even richer picture of entrepreneurial reality. The main advantage of this multi-method approach was the coherence and depth of the data resulting from data triangulation, which added to the rigour of the research project.

Despite my confident explanation of the appropriateness of the chosen research methods there have been certain weaknesses, that I have reflected upon, inherent in the approach, which might need to be considered in future research utilising similar research tools and investigating similar research topics. The study was certainly very complex and time-consuming due to its multi-dimensional character and put considerable demands on both the entrepreneur and the researcher, in terms of availability but also concentration. In addition, the international nature of the research, albeit of great interest and a major contribution to existing knowledge, was extremely demanding in linguistic terms, but also in terms of time.

Furthermore conducting a repertory grid analysis in highly pressurised entrepreneurial environments where every minute counts is a very difficult, yet not impossible endeavour. It needs, however, be pointed out that the success of this undertaking is primarily dependent on the willingness of the individual entrepreneur to collaborate, which has not always been given, an experience that has also underlined the limitations of the power of the individual researcher.

In sum, it is evident that the methods I employed in this study were appropriate to investigating the chosen subject and in line with the research questions.

11.4 Implications for Policy

11.4.1 Business support policy

The findings of this research are of particular relevance for policy-makers and BSOs involved in the development of start-up policies at both local, regional and national level as the study sheds light on the calculative approach to networking by entrepreneurs at the pre-organisation stage. It is clear that entrepreneurs make decisions about who to liaise with for their project or not. Of much relevance in this context is the finding that entrepreneurs are looking for like-minded individuals (also see section 11.3.3), who are entrepreneurs like themselves or at least possess entrepreneurial characteristics. This finding is key for the development of entrepreneurial support programmes if policy-makers and support organisations want to ensure the legitimacy and acceptance of their staff by the fledgling entrepreneur, but also the ultimate success of the venture.

The idea of reflexivity and the need for reflection have been recurring topics throughout this thesis (see Chapters 6-9). The link between network size and need for reflexivity in

the ties that surround the entrepreneur at the pre-organisation stage was emphasised in Chapter 6 and the idea of reflection was also integrated in the phases' model (see Figure 6.1). The idea of reflection as a contribution of family, friendship and professional ties related to the EHC was also integrated in Figures 7.1, 8.1 and 9.1; only professional ties not related to the EHC did not offer this characteristic. I argue that BSOs should give consideration to these aspects as they express the need for reflective practitioners in the environment of the fledgling entrepreneur. This was also highlighted by P&G during an interview on 03.10.2006 as follows:

It is very interesting for us to work with you, as we see where we are. It is very interesting for us to have an external vision and to work with you. This brings important insights. It is the fact that we discuss with you...it is like a personal audit. Because it is true that we are always in action, we don't take the time to reflect. And the fact that we are working with you, allows us to reflect, to sit down, to take stock. We see where we are, how we have evolved. We benefit a lot from the work we do with you, in particular as we often discuss the human aspect, the networking aspect which we do not discuss with any other person but you. Hence this is very educational (C'est intéressant aussi pour nous parce que, avec vous, on fait le point, on voit où on en est. C'est intéressant aussi pour nous d'avoir une vision extérieure et de travailler avec vous. Parce que ça nous apporte aussi. Enfin, le fait de discuter...C'est un audit personnel. Parce que c'est vrai que, quand on est dans le feu de l'action, on ne prend pas le temps d'y réfléchir. Et le fait de travailler avec vous, ça nous permet de réfléchir, de nous poser, de faire le point. On voit justement où on en est, comment ça a évolué. Donc ça nous apporte aussi beaucoup de travailler avec vous. Surtout qu'on aborde souvent l'aspect humain, l'aspect réseau alors qu'on ne l'aborde avec personne d'autre qu'avec vous. Donc c'est toujours très instructif).

In addition, reflection and reflexivity should also become an integral part of staff training sessions at BSOs.

Furthermore this study has underlined the need to include a networking element in entrepreneurial support programmes at local, regional and national level. On the one hand, there may be a need to raise the awareness of the importance of entrepreneurial networking at the different stages of the start-up, as already Neergard & Madsen (2004), but also Tötterman & Sten (2005) found that networking was not necessarily a priority for entrepreneurs. On the other hand, the current research underlines that it is essential to involve professionals who assist entrepreneurs in systematically analysing existing networks, personal and professional, to develop and nurture these for enterprise creation and possibly develop their business strategies accordingly. Both awareness raising, practical advice and assistance regarding networking have, to my knowledge, been underestimated by support organisations, a recognition which is profoundly important in the context of entrepreneurial start-up support.

11.4.2 Education policies

The findings of this study have wider implications for the pedagogy employed in education institutions such as Management Grandes Ecoles or engineering schools but also for teaching and training providers, outside a HE context. There are different implications for the course design, but also for the teaching staff. In terms of the course design there are a number of recommendations that arise from the findings of this study:

As existing curriculum development generally does not consider the way entrepreneurs think and perceive their world, future course design should take into account entrepreneurial cognition and possibly contain a psychological element. Teachers and trainers in entrepreneurship would also benefit from psychology training to better understand entrepreneurial cognition, an area which is starting to emerge as an important field of research (Chapter 10).

Furthermore future course design should consider the role of networks and networking, thus raise awareness of the need to develop effective networking skills, but also train the students' analytical skills to evaluate their existing networks, personal and professional, and develop strategies of how best to employ these for their entrepreneurial project.

Future entrepreneurial courses should aim to better prepare students to deal with entrepreneurial reality and the activities identified by the entrepreneurs as key in the different stages of the start-up (see phases' model in Table 6.1) should provide guidance for future course design. This also responds to Fayolle, Hernandez & S enicourt's (2005) criticism that the French education system confronts students with well structured problems, which provide all the elements needed to solve the problem (Chapter 2), yet creates an artificial situation, very different from the complex entrepreneurial reality.

There are also a number of implications for teaching staff themselves: First, awareness needs to be raised among staff that networking is key throughout the start-up and staff needs to be trained to use appropriate tools such as repertory grids for network analysis (Chapter 5). The development of a pedagogy for entrepreneurship courses also pre-supposes that those involved in such programmes better understand the link between networking skills, strategy development and survival of the venture (Chapter 3).

Second, teaching staff should also be selected according to their entrepreneurial credentials and perhaps less so on the basis of diplomas, which are of little, or even no, interest to a

fledgling entrepreneur. As I showed in Chapter 10 entrepreneurs are more inclined to evaluate their ties in terms of different types of intelligence, creative, analytical and practical, which are essential for providing technical, marketing or financial advice essential to the success of the entrepreneurial project. Entrepreneurial staff could also make a valuable contribution to the entrepreneurial project due to their potential as role models, which was also an important aspect, as illustrated in Chapter 6.

Third, entrepreneurs learn through networks and networking as I showed in Chapters 7-9, yet their learning styles were different. Some learned through an early familiarisation with entrepreneurial values in their families, some learned from discussions with different ties. This should be taken into account when creating new entrepreneurial programmes/courses.

Fourth, the aspect of reflection and reflectiveness of ties runs like a red thread through the analysis of the contributions family, friendship and professional ties make to the entrepreneurial venture. It is obvious that the entrepreneurs were looking for these aspects in their entourage. Hence I put forward the argument that more attention should be given to such issues in different educational programmes targeting the entrepreneur.

11.5 Limitations of the research

Despite the rigour of the study there are a number of limitations inherent in the approach that make it difficult to generalise the findings of the thesis. In this study the inquiry focused on gaining an understanding of the role of social capital in French entrepreneurial networks at the pre-organisation stage. The contextual framework for entrepreneurship and enterprise creation was described in detail in Chapter 2. Emphasis was placed on the impact of the socio-economic, political and educational system on entrepreneurship within the French context. In particular the French educational system with its elitist *Grandes Ecoles* has promoted a focus on large companies (Chapter 2) to the detriment of entrepreneurship and enterprise creation. The entrepreneurs who participated in this study had all benefited from such an elitist *Grande Ecole* education, which makes them different from the average French citizen who decides to become an entrepreneur. To further illustrate this fact, only 80,300 students studied at 220 French *Grandes Ecoles* in 2003-4 (www.education.gouv.fr/stateval/04.35, accessed on 14.05.2008), which already presented an increase of 8% in comparison to the preceding year, yet a minority compared with 1,429,000 students at 83 public universities in 2005 (www.education.gouv.fr/stateval/05.40, accessed on 14.05.2008).

Although the selection of entrepreneurs with a Grande Ecole education has been shown to be justified given the limited research available in this field and the lack of creations by Grandes Ecoles graduates (Chapter 2), it could be argued that a comparison with other French entrepreneurs with a different educational background could strengthen the generalisability of the findings. The same would apply to a comparative study in a different cultural setting such as the US or Canada, the US because of its well developed alumni network and Canada as a country which offers a unique combination of Anglo-Saxon and French characteristics. A comparative study would have to identify two HE institutions that either offer very similar or very different approaches to the promotion of entrepreneurship in their respective cultural contexts. Such a future research project could build and test the viability of the findings of this study.

The size of the sample may be considered as limiting the generalisability of the findings. It has been argued in Chapter 5 that the guiding principles of the research were those of purposeful sampling (see section 5.8.10) and constant comparison (section 5.11.3) to offer similar, but also different perspectives on the same issues. More than forty interviews were conducted, which is not small for a qualitative research project, yet small in comparison to quantitative studies that have greater scope for generalisability.

This Chapter has proposed a number of implications for business support and educational policy, which are of an operational and organisational nature. In conclusion, it seems fair to say that this study has answered the research questions of who were the individuals the entrepreneur engaged with, at what stages of the pre-organisation, what they contributed, tangible and intangible, to the entrepreneurial venture and why the entrepreneur involved these individuals. Thus I have fulfilled the objectives set in Chapter 1. In retrospect, the task to explore all three dimensions of social capital within a French entrepreneurial context was an ambitious, yet not impossible task, providing a unique insight into entrepreneurial networks created by Anciens.

I will conclude this Chapter with the proposal of a framework outlining the typical career path of a Grande Ecole entrepreneur.

11.6 Framework for the typical career path of a Grande Ecole entrepreneur & directions of future research

Arising from the research findings I speculate that the following processes are occurring and I suggest a framework that starts with a primary habitus created by the family, followed by the Grande Ecole habitus, the professional habitus after graduation and finally the entrepreneurial habitus for those who choose to become entrepreneurs. For many the career path stops, however, in phase 3. This model does not account, however, for the rare cases such as P&G who create within the context of the Grande Ecole.

Of key importance is the transmission of cultural capital (see section 4.3.1) through the family, which following Bourdieu (1986), is about “long-standing dispositions and habits acquired in the socialisation process (Anheier, Gerhards & Romo 1995, p. 862). Hence family socialisation and familiarisation with entrepreneurial values can both promote and deter entrepreneurship. I illustrated the importance of family ties in a historical perspective in Chapter 6 and I discussed the importance of role models in the family such as the father (see NF’s case) and the transmission of entrepreneurial values (the case of NF, JMB and P, see Chapter 6). In addition, in some cases, albeit not discussed in this thesis, it was important that the entrepreneur was the eldest among several children and had to take early responsibilities (case of NF). Equally important are personal attributes and individual dispositions which may clearly play a further role in this primary habitus.

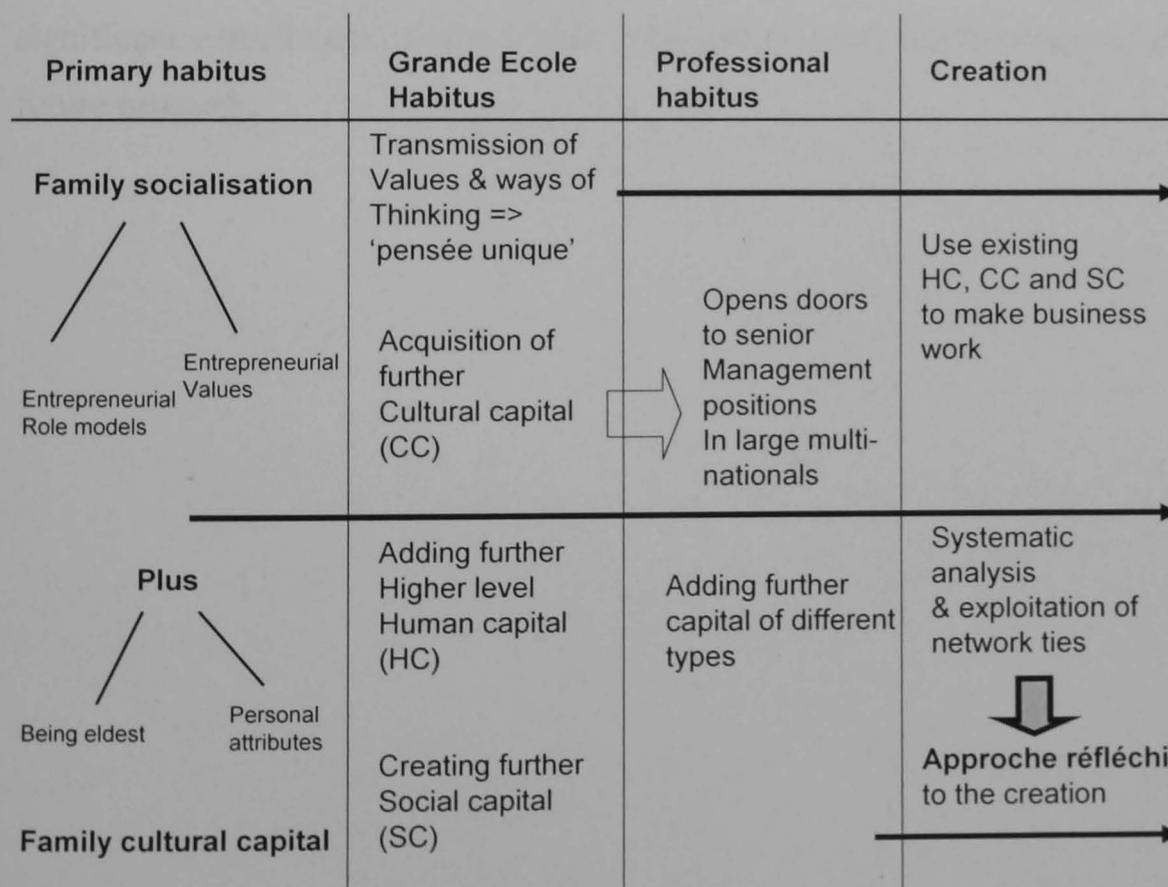
Many entrepreneurs mentioned that they chose the Grande Ecole over the university to have better career opportunities in their life (I did not major on this aspect in this thesis, but analysed the information separately). They deliberately chose to be part of the habitus of the Grande Ecole and subject to the transmission of certain values and ways of thinking, also referred to as ‘*pensée unique*’ (see Chapter 2). Arguably, through the Grande Ecole many of them have not only increased their human capital, but also their cultural (section 4.3.1) and social capital. Given the traditional mission of Grandes Ecoles to train managers for large enterprises (Chapter 2), this approach has not only influenced the curriculum development but also the way Grande Ecole students perceive of entrepreneurship and enterprise creation, which has led to a very small number of creations by such Grande Ecole graduates, as I documented in Chapter 2.

The Grande Ecole diploma traditionally opens doors to senior management positions in large multinationals and big consultancy firms, where these entrepreneurs further add to

their already substantial human, cultural and social capital. Arguably the Grande Ecole habitus is still active in this phase of the career development and the Anciens stay in touch with their school through the association as I also documented in Chapter 9. When they decide to create many of them contact the association and other Anciens to get advice (see Chapter 9).

Once the Ancien has decided to create his own venture (I explored the different reasons in the interviews, yet their discussion would go beyond this thesis), (s)he draws on his/her considerable human, cultural and social capital to get the business off the ground. (S)he uses his/her not negligible analytical skills (see calculative approach discussed in Chapter 6) to develop the entrepreneurial network. The individual prefers, as we saw in Chapter 6, an ‘*approche réfléchi*’, a well-thought-through decision.

Figure 11.1: The career path of the Grande Ecole entrepreneur



The model presented here concludes this thesis proposing avenues for further research. One strand of research could further investigate the relationship between the different types of capital developed in the different ‘*habitus*es’ and their impact on the intention of an individual to create a venture. Such research, either conducted in a purely French context

or on a cross-cultural level, would potentially provide an in-depth insight into the 'ideal' balance to be developed between the different types of capital and the 'becoming' of an entrepreneur. This would provide future researchers with the opportunity to move away from traditional investigations of entrepreneurial intention towards an understanding of entrepreneurial intention as the result of socially and culturally determined processes.

A second strand of research could further explore the importance of the 'approche réfléchi' for educational programmes at business support level but also in FE and HE programmes, in France but also in other cross-cultural contexts. This could lead to valuable insights for pedagogy given that an analytical approach to networking could impact positively on the quality of an entrepreneurial project.

In summary, this thesis has investigated the different dimensions of social capital in French entrepreneurial networks at the pre-organisation stage. Focus was on the alumni from a French Grande Ecole. To date, little research has explored all three dimensions of social capital, in particular in a French context. Thus this thesis has made a significant contribution to the extant literature, yet has also opened up possibilities for future research.

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APPENDIX 5.1
CASE DESCRIPTIONS

Team creations

The Case of N- MB & AL.

MB and AL created the Paris-based company NASKEO which emerged from a final year project (projet d'études) at the engineering Grande Ecole (Centrale de Paris), in 2003. The company sells installations to treat pollution with organic matter.

AL is 25 years old and President of the company. He followed the 'classes preparatoire' in Physics and Chemistry before he was admitted to the engineering Grande Ecole 'Ecole Central de Paris'. AL's mother is an entrepreneur. After a long professional career in real estate, she created her own restaurant cum art gallery 10 years ago in Brittany. This move was triggered by the death of his father. AL is at the origin of the innovative idea on which the company is based. He approached his tutor for a potential partner and this is how he got in touch with MB.

MB is Commercial Director as NASKEO and AL's associate. MB is 28 years old and graduated in 2003 from the ESC Rouen with a major in Finance. After his degree from the ESC Rouen he pursued his studies with a '3ieme cycle' in Technologies and Management (roughly equivalent to an MSC) at the 'Ecole Centrale de Paris from which he graduated in 2004. This is where he met AL. MB's parents are both retired, his mother used to work as a secretary and his father as an engineer. Nobody in the family has ever created a company.

P&G -LBB

P and G are two third year students who finished their degree in 2007. I have been working with them from February 2006 until July 2008. They were the price winners of the Projet Entreprendre, the entrepreneurial project which is compulsory for all first years' students at the ESC Rouen. The company was created in April 2007 in the incubator of the ESC. They developed a marketing tool to be used on a trolley in supermarkets to provide product information to the customer.

P and G are 24 years old, both have known each other for more than 5 years as they attended the two year preparatory school in Lille together. Both have older and younger brothers and sisters. P's father is an entrepreneur himself; he created his own company when P was 5 years old. His mother is a doctor. G's father is a doctor and his mother is a civil servant

The case of BS and NF – a financial consultancy firm

BS is 30 years old, he graduated from the ESC Rouen in 2002. He created a consultancy firm in financial services with his co-founder NF in September 2006. BS's father is an entrepreneur, he set up a consulting company in person security which, though initially, successful, later ran into serious financial problems. BS's mother is a secretary. BS has a background in auditing as he spent many years with major consultancy firms in P.

NF is 31 years old and is presently working as a consultant in London. He is the eldest of three children. Following family tradition he graduated from a Paris-based engineering school. His father is a scientific researcher with a prestigious institute in Paris, his mother is a civil servant. There are no entrepreneurs in NF's family. He met BS at company AA in P and the two men stayed in touch when NF left to pursue other interests.

MB- a restaurant in the heart of Paris - the case of E. and JT

E. is 38 years old, married with 2 children. E. comes from a big family, she has 6 sisters and one brother. She is the youngest in the family. Her parents have a farm in Normandy and are in their 80s, a childhood in the countryside has had a major impact on how E sees the world of food. E graduated from the ESC Rouen in 1990 and pursued her career in the oil industry. She later decided to start an intensive training programme in cooking and baking (CAP in patisserie and in cuisine). They were still working very well although the interview with JT later revealed that the two founders were in the process of rethinking their future. E created a restaurant, MB, with her co-founder JT in 2004. E. and JT have known each other since 1995, they met through JT's partner, who happens to be a former ESC Rouen student.

JT is 39 years old and lives with his partner. His father works as a chemical engineer and his mother worked as a librarian for the CNRS. JT graduated with a Master in Finance from Paris Dauphine. After graduation he worked for many years in the Finance sector until he quit in 2004 to pursue his own entrepreneurial project with E. Apart from him there are no other entrepreneurs in his family. The restaurant was sold in September 2006 due to irreconcilable differences between the two co-founders.

S – the case of PL and LS

LS graduated from ESC in 1987. He is 45 years old and married for the second time with one child. Both his grandparents and parents used to run a Paris-based wholesale textile business. LS tried to follow in the footsteps of his family but aborted the activity relatively quickly. After graduation from the ESC he worked for a number of major consultancy firms in P. LS is a serial entrepreneur; he created his first company in 1985/1986 whilst studying. He met PL in 2001, the co-founder of Subventium in the local bakery; the intermediary was J, the owner of the bakery.

PL is 41 years old and at the centre of the entrepreneurial idea that led to the company creation in January 2005. He comes from a very entrepreneurial family, his uncle created a famous French fashion brand in the 1960s and PL's parents got engaged in this venture from an early stage. PL is an accountant by profession and a serial entrepreneur like LS. He asked LS to join him in his venture in September 2004. PL took an already existing idea from his friend S, who is a consultant in the area of economic assistance for companies. Whereas initially the company pursued three areas of business activity: export assistance, tax relief for managerial remuneration and subsidies for innovation, the two founders later refocused their activities in 2006 to only focus on economic subsidies for companies. The focus of the business are SMEs.

SAPP: the case of PP and CB

PP. is 60 years old, married and father of three children. He graduated from the ESC Rouen in 1972. He lives in Haute Normandie, where we also find the headquarters of the company SAPP, which he founded in 1990 together with his associate CB. PP has entrepreneurial parents, they ran an 'épicerie fine' (delicatessen) in Paris after the Second World War period. After a long career in Marketing in the food industry PP met CB whilst working as Director of Marketing at company S where he developed the idea of a top quality coffee for a well known French brand M. PP and CB entered into a licensing agreement with the proprietor of the brand. M.

CB graduated from the ESC Rouen in 1983. He is 45 years old and married with two children. He also lives in Haute Normandie. His parents are both retired, his father used to work in a bank and his mother as a teacher. He is the eldest of two sons, his brother is a chef. After graduation he spent several years working in the coffee industry where he met PP. Later, he left his company to become a lecturer at the ESC Rouen. He left his job at the Management School in 1990 to join PP. who he knew from his previous activity in the coffee industry.

Since the creation of SAPP in 1990 the two founders have extended to product portfolio to cover further French luxury food products such as foie gras and champagne. Their products are mainly sold in duty free shops in about 50 countries around the world. The company presently employs 25 people.

CH: the case of SLB and Ch

SL is 36 years old and he graduated in 1992 from the ESC (Promo 1992). After graduation he spent four years in audit with KPMG before he moved on to become Financial Director of a number of different companies. SL is the eldest of three children. He has one younger brother and one sister, yet he is the only one who studied at a Grande Ecole management school. SL's father was postman and his mother was in charge of a post office. SL left his last company in 2005 to work on his own entrepreneurial project which was to set up an Internet based company with a former colleague C. Their company 'CH' was created in December 2005, yet the activity itself was launched in February 2006. The company distributes male care products over the Internet.

Cases of a sole founder

A financial services company based in Paris: the case of R

R. is 32 years old and graduated from the ESC in 1999. He is married without children. His wife works in the liberal medical profession. R created his company in May 2006 in the financial services sector, in B to B services. Exact information about the nature of the business was withheld from the researcher due to confidentiality reasons.

R's parents are retired. His father used to occupy a technical function in a large company and his mother worked whilst she was young but later quit her job to look after the children. There are no entrepreneurs in his family.

The CI: the case of NF

NF is 36 years old and graduated from the ESC Rouen in 1992. He is the eldest of four children which put a lot of responsibility on his shoulders from an early age onwards. His mother passed her A-level when she was 40 years old and later studied Orthophonie. Since then she has created her practice. His father created his own company in 1985 when he was in his forties after having spent considerable time with different companies in different industries. After his graduation NF worked for several years in Marketing and Communication until he launched his own business 'CI' in the field of numeric communication in April 2002. As he was unemployed at the time of creation he benefited from French legislation to provide financial security to set up his company. CI presently employs 20 people and NF has franchised his activities to different parts of France putting Anciens in charge of his projects.

The case of AC – an Internet based company

AC is 37 years old, he graduated from the ESC in 1991 but complemented his studies with an MBA from Harvard Business School. He is married to a scientist and has 5 children. AC is the son of an old established aristocratic French family. After his first degree he worked for several years in Marketing in France and later in the film industry in the US. He returned to France in 1999 and created an internet-based company called 'A-line', a promotional website for well-known sportsmen. He transferred an already existing economic business model that was successful in the US over to France. After many changes and serious financial problems the company became a major media actor on the Internet and was introduced on the Paris stock exchange. The company employs about 50 staff, of which about half intervene on a part-time basis; many of them are journalists. The company situation was under a hostile take-over bid in 2008. AC was joined by an old friend from his teens 5 months after the actual creation of the venture. His friend 'H' is a journalist.

T PARTNERS— the case of Yves Coleon, a venture created in New York

YC is 57 years old and he is married with three children. The fact, that he had no further financial obligations to pay for his children's education was one of the reasons why YC felt free to pursue his own interests in 2000 and create his own company T PARTNERS.

YC looks back on a very long career in Marketing (25 years) which he spent with a number of well-known companies. He is the oldest in his family and has a younger sister and brother. His father worked for an American company, his mother brought up the four children. YC graduated from the ESC in 1973. He also acquired a postgraduate degree in Management from Paris Dauphine, one of the top French universities.

T PARTNERS offers strategic and operational consulting for European companies on the US market. The company offers help to foreign, in particular French companies, to set up a business in the US market and to develop their strategic projects. The company also assists those companies already present on the US market to improve their performance, to restructure and reposition their activities. The company's main office is in NY, but a second office is based in California. The company employs at present 8 consultants.

P – sports marketing consultancy: the case of JFB

JMB is 33 years old, he graduated from the ESC in 1999. His wife is also an ESC graduate. JMB comes from an entrepreneurial family. His father, who is in his 60s, created a successful car dealership many years ago. His mother is a teacher but quit her profession to help her husband in the business. After his graduation JMB worked for four years at a major club (CL) in charge of marketing, later he changed to P, another club in the South of France where he became Director of Commercial Marketing. Already after the first four years of working for CL, JMB had contemplated setting up his own business, yet dropped the idea to assume his responsibilities at the club P. After six years of professional experience in rugby marketing with different clubs in France JMB decided to set up his own business P in 2004. He set up the company whilst still working at the club P. JMB quickly realised that he needed to be close to his clients and set up an office in Paris, Clermont Ferrand and Lyon. The company presently employs a Paris-based salesperson (N) and a CL-based an apprentice (Isa).

JMB created P on his own, but asked one of his best friends F from his time at the ESC to join him. He needed F to comply with French company law. F is a silent partner, he only owns 2% of the company. In 2006 JMB was confronted with the major dilemma of either losing his biggest client, club L, or resuming full-time responsibilities as General Manager at the club. He eventually sold 35% of his company to a fellow colleague, consultant in sports marketing like himself, and assumed his full-time position in September 2006.

CK Performance: the case of GK

GK is 33 years old and graduated from the ESC in 2000. He joined the Management School at the age of 24 after a first degree in Legal Studies. GK's father is doctor and his mother is a housewife. He is the eldest amongst three children. His parents strongly supported his decision to pursue his studies at the Management School and helped him out financially during this time. GK is married with two children, his wife is also an ESC graduate.

GK is a serial entrepreneur, he alternates between creating different businesses and being in a salaried position. In December 2005 he created a consultancy business for Telecommunications and IT and similar to NF he benefited from French legislation to set up his own business. He sold this business in 2007.

APPENDIX 5.2
THE QUESTIONNAIRE

Questionnaire – Supply and demand side of entrepreneurial support – le réseaux des entrepreneurs d’une Grande Ecole (*the network of entrepreneurs of a Grande Ecole*)

Informations générales sur l’entrepreneur

General Information about the entrepreneur: Age, Education, Status

- Age
- Formation
- Statut

Information sur l’entreprise:

Information about the company: Name, Date of registration, No of employees, products

- Nom
- Date d’immatriculation
- Effectif – avec/sans salarié
- Produits

Processus de la création

Process of Creation :

- Comment la création s’est elle déroulé? *How has the creation happened?*

- Pourquoi as-tu créé? Pourquoi avez-vous créé? *Why have you created?*

- Avec qui? Pourquoi? *With whom? Why?*

Entrepreneur – caractéristiques

Entrepreneurial characteristics

- Qu’est-ce que qu’ un entrepreneur pour toi/vous? *hat is an entrepreneur for you?*

- Quelles sont vos aspirations en tant qu’entrepreneur? *What are your aspirations as entrepreneur?*

- Qu'est-ce que vous rend entrepreneurial? Rôle modèle? *In what way are you entrepreneurial? Any role models?*
- Quel type d'entrepreneur pensez vous/penses tu être? *What type of entrepreneur are you?*

Le réseau

- Votre réseau- quelles sont les grandes phases de votre création ? Comment le réseau a-t-il évolué dans ces phases ? Qui, quoi et quand ? Quel était votre réseau avant la création ? D'une manière objective pouvez vous/peux tu quantifier et qualifier son importance durant les différentes phases ?
- Qu'est-ce que c'étaient les avantages que vous avez eus en tant que l'étudiant de l'ESC Rouen ?
- Qu'est-ce que vous avez manqué dans la formation ?

The network:

Your network – which are the phases of the creation you can identify? How has the network developed throughout these phases? Who, What and when? What was your network like before the actual creation? Can you, in an objective way, quantify or qualify its importance throughout these different phases?

What were the advantages you had as an ESC student?

What was missing in your course?

Réussite, obstacles, freins à la création the creation

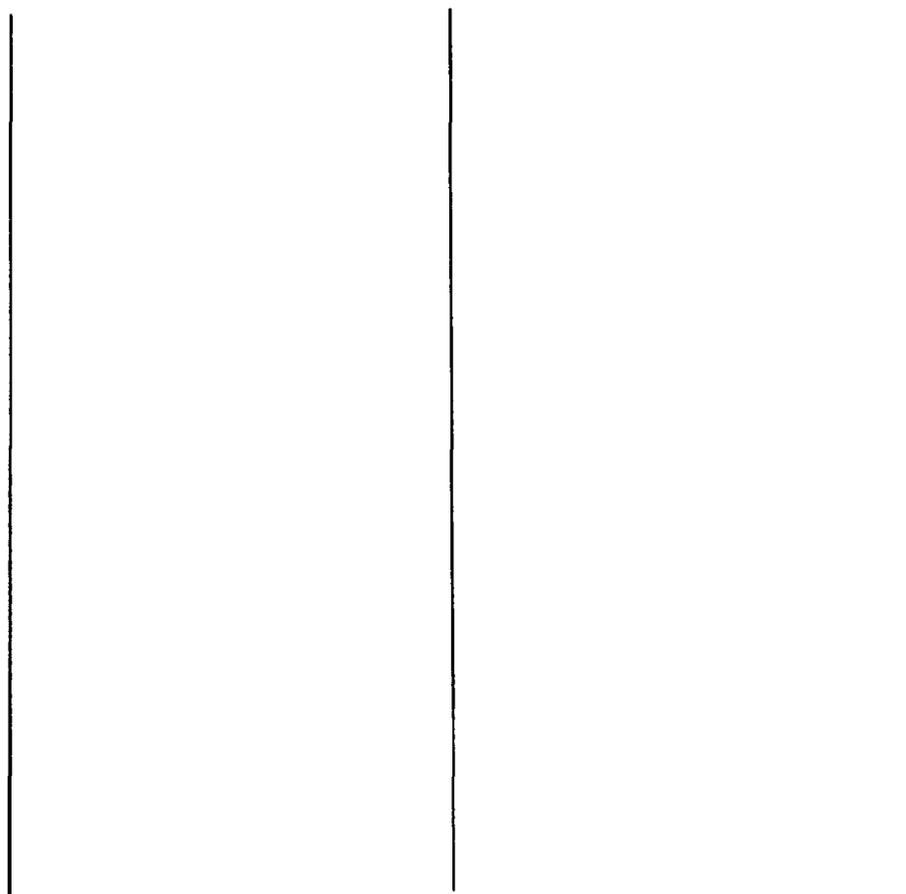
Success, obstacles, barriers to

- Facteur de réussite de votre création *Factors of success of your creation*
- Quels sont pour toi/vous les freins à la création d'entreprise en France? Quels sont les catalyseurs? *What are, in your view, the barriers to enterprise creation in France? Which are the facilitators?*

Empty sheet technique

Phases différentes de la création et le développement du réseau – network development throughout the different phases of enterprise creation

The entrepreneur gets given an empty piece of paper and he/she has to indicate the different phases of development of the entrepreneurial venture and the people involved throughout these phases. The contribution of these people gets assessed on a scale of 1 out of 5, with 1 indicating the lowest and 5 the highest involvement.



APPENDIX 5.3
META MATRIX

APPENDIX 5.4
INFORMATION ABOUT INTERVIEWS

**Paginated
blank pages
are scanned
as found in
original thesis**

**No information
is missing**

Appendix 5.4: The cases & interviews

Name of Company	Name of Entrepreneur	Product	Date of creation	No. of employees	Interview dates	Duration of interview	Location	Promo (date of graduation)
LBB	P & G	Mini-computer to be installed on the trolley. Marketing tool	2007	Team of 7 engineering students until Jan. 2007 1 st engineering employee from Jan 2007	24.02.2006, 10.02.2006, 31.03.2006 23.05.2006, 28.08.2006, 03.10.2006 13.12.2006, 29.01.2007, 02.03.2007 23.04.2007 (telephone interview with G) 09.07.2007	1.5-2h per interview	R	2007
CI	NF	Numeric communication	2003	20 plus	01.03.2006 05.07.2006	2h 1h	P	2000
N	MB & AL	A system of waste recycling through bacteria	2005	The initial team of two co-founders has increased to four associates, plus PhD student and apprentices	MB : 02.03.2006 26.07.2006 AL : 17.07.2006	2h 1.5h 2h	P	MB & AL 2005
Ch	SLB & CH**	Internet start-up: Distribution of care products for men	2006	No employees	SLB: 24.11.2006, 18.05.2006	1h 30min	P	1992
SAPP	PP & CB	Licensing agreement for a well known brand	1990	25 employees	PP : 06.11.2006 CB : 24.05.2006, 23.08.2006	2h 1.5h 1.5h	R	PP: 1972 CB: 1983
Pro	JMB & F***	Sponsoring consultancy in rugby	2004	One commercial manager based	18.05.2006 25.08.2006 Telephone		P	1999

				and one	interview April 2007			
MB	E & JT	Restaurant creation in Paris	2004	4 people	E: 06.07.2006 Telephone interview Sept 2006 JT: 21.11.2006 sold in autumn 2006	2h 1.5h	P	E: 1990
FS	R	Financial services	2006	None	21.11.2006	2h	P	1999
S	LS & PL	Financial services	2005	None	LS : 25.08.2006 PL : 22.09.2006 Telephone interview April 2007	2.0h 1.5h	P	LS: 1987
CK	GK	Telecommunications services	2005	None	06.07.2006, 26.07.2006 20.11.2007 sold spring 2007	1.5h 1.5h 1h	P	2000
Aline	AC*	Internet media group, under takeover threat in spring 2007	1999	50	06.07.2006, sold spring 2007	1.5h	P	1991
X	BS & NFi	Consultancy (banking)	2006	None	17.05.2006 (BS) 28.07.2006 (BS), 25.09.2006 (BS) 12.12.2006 (BS & NFi)	1.5h 1.5h 1.5h 1.5h	P	BS: 2002 NFi: 2001 (engineering)
TP	YC	Strategy consultancy	2000	8 consultants	13.12.2006 29.01.2007		NY	1973

APPENDIX 5.5
INTERVIEW TRANSCRIPT

Entretien avec NF: 01.03.2006

RK : Bonjour c'est aujourd'hui le premier mars: 2006, c'est un entretien avec NF

Donc d'abord merci N que tu as trouvé du temps pour moi, et merci aussi que tu m'as déjà donné quelques infos.

Là j'ai plusieurs questions à poser déjà, concernant tes parents, là tu m'as dit que tu as 36 ans, tu gères CI, qu'est ce que tu peux me dire un peu sur tes parents, sur ta famille ?

NF : Donc en fait enfin c'est clair je pense en mise à l'introduction, la culture familiale, l'environnement familial a été un élément clef dans le cadre de la décision de créer une entreprise pour deux raisons, il y a une première raison qui est le, « comment dire », l'éducation que l'on reçoit, ou, en fait, on est conditionné en quelque sorte par, par un environnement qui facilite la prise d'initiative et la prise de responsabilité, et le deuxième point c'est que la famille aussi c'est une valeur d'exemple c'est aussi un élément important. Sur l'éducation à proprement parler moi je suis né d'une famille de 4 enfants, je pense c'est un élément qui joue dans le sens que depuis très tôt j'étais amené à prendre en charge mes frères et sœurs, mes parents m'ont délégué un peu la responsabilité sur mes frères et sœurs, notamment quand ils étaient absents, donc très tôt j'ai développé une culture de la responsabilité....

RK: tu es l'aîné?

NF: oui je suis l'aîné. de la responsabilité, qui à mon avis, participe à ça. La 2. chose c'est que: en fait j'ai une famille, j'ai reçu une éducation ou on laissait une part important à l'indépendance ou on privilégiait, on incitait même la prise d'initiative et d'indépendance individuelle des enfants, ou j'ai eu un des discours comme quoi ce qui était important, ça c'est quelque chose qui ma vraiment marqué, ce qui est important dans la vie professionnelle , c'est de se réaliser dans son travail, et donc le discours de mes parents par rapport à ça étaient dire : si vous voulez être plombier ou quoi ce soit, peu importe, le plus important c'est que vous ayez un travail, dans lequel vous vous épanouissiez, vous soyez heureux, ce qui est plus important c'est de pouvoir se lever le matin et être content de travailler. J'ai bien conscience que c'est un privilège énorme que j'ai parce que comme tout le monde n'est pas éduqué dans cette logique là. Et ensuite qu'il est évidemment très difficile de s'affranchir, d'une, d'un conditionnement en fait qu'on a pu recevoir depuis l'enfance par son éducation et si tous les jours on explique à l'enfant que le travail c'est juste un moyen de gagner de l'argent mais ce n'est pas un moyen de s'épanouir, évidemment ce n'est pas quelque chose qu'on a en soi ensuite. Donc voilà c'est ça sur la partie éducation culture.

La deuxième partie que j'évoquais qui était la valeur d'exemples: donc moi j'ai une mère qui a passé son BAC à un peu plus de 40 ans, qui est ensuite partie à la FAC avec les étudiants de 18 ans en orthophonie et qui a monté son cabinet d'orthophonie à 45 ans après ses études. Ca c'est un premier exemple.

Le 2. exemple c'est mon père qui a aussi monté une société en 85, je crois, il doit avoir un quarantaine années aussi, après avoir travaillé un certain nombre d'années dans les entreprises comme salarié. Donc il a décidé de monter sa société. Je pense ça joue aussi dans le cadre de mon enfance, c'est le deuxième point fort qui a participé à ma décision de créer une entreprise.

RK: D'accord, donc à un moment donné tu as intégré l'ESC Rouen, d'abord pourquoi l'ESC Rouen ?

NF : En fait je n'ai pas tellement, à 18 ans, je n'avais pas tellement d'idée de ce que je pouvais ou voulais faire, en terme d'orientation professionnelle et j'ai plutôt suivi une voie, j'ai fait un terminale scientifique, une terminale C, et je n'étais pas excellent en math et physique, mais après ça comme autre prépas possible comme j'étais plutôt bon à l'école, comme autre prépas possible à coté des écoles d'ingénieur qui ne m'intéressaient pas a priori . il y avait des prépas commerciales, et ensuite j'ai passé des concours, et j'ai pris la meilleure école que j'avais. Je n'avais pas de désir spécifique à priori, de vocation spécifique. C'était un peu choix par défaut.

RK: Et pourquoi pas une université, mais une GE?

NF: A cause de la, parce qu'il y avait un prépa. Et que le système français fait lors qu'on est bon en terminale et on est plutôt amené à essayer de rentrer dans les prépas . Le système français est comme ça. Les bons élevés on les oriente a priori vers les prépas pour faire une Grande Ecole plutôt que les universités.

RK: Donc c'était un peu dirigé, dirigé par l'extérieur ?

NF: Oui absolument, absolument

RK: Et tes compétences?

NF: A l'école ? Oui j'étais plutôt un bon élève!

RK: Au niveau de parcours professionnel, tu as fait les 3 ans du programme ESC Après, qu'est-ce que tu as fait?

NF: Après j'ai fait mon service militaire. Ensuite je suis parti 6 mois en coopération en Afrique pour une association humanitaire. Ensuite j'ai travaillé 2 ans comme commercial pour une entreprise qui s'appelle L, périphérique informatique ou j'ai animé un réseau de revendeurs. Ensuite j'ai passé 5 ans dans une société qui s'appelle Pinnacle System, une société américaine, pour laquelle je me suis occupé du marketing et de la communication pour la France, ensuite pour l'Europe et ensuite au niveau international.

Voilà après ces 5 années donc c'était le moment de la bulle Internet et des start-ups et tout. Donc j'ai tenté ma chance dans l'univers de start-up et j'ai rejoint une société qui s'appelle H ou je m'occupais de la même façon du marketing, de la communication et de la vente indirecte.

RK: Donc tu l'as acheté ou?

NF: Non, c'est une société, une start up, c'était monté 2 ans auparavant, qui avait levé 6 millions Euros et qui m'a recruté, voilà.

RK: Ils t'ont recruté?

NF: Oui.

RK: Hypnotiser? Ok là tu as fait la vente, ok.

NF: Plutôt en marketing/ communication. RK : ça c'était autour de 2001 ? NF : de novembre 2000 à octobre 2001.

RK: A quel moment est-ce que tu as décidé de créer toi-même ?

NF : Alors, donc pour revenir à ce que l'on disait tout à l'heure. Depuis l'enfance moi j'avais, adolescent et tout, et avec des exemples et la culture familiale, j'avais le désir de créer d'un jour de monter une entreprise, donc c'était la première chose. Ensuite ce qui s'est passé c'est que la start up se trouvait en difficultés financières au bout d'un an, très rapidement. Donc moi je suis allé les voir en leur proposant un plan pour restructurer un peu l'entreprise. En fait les patrons de Hypnotiser c'étaient des gens, très jeunes, qui sortaient de l'école, un ingénieur et quelqu'un qui fait Science Po. Qui avaient très peu d'expérience, en terme de business, en terme de qu'est-ce que c'est un client, un marché, le management, l'entreprise, etc. donc Je leur ai proposé de reprendre la direction opérationnelle de la start-up, avec un plan. Finalement ils m'ont dit que non et qu'ils ont préféré rester patrons de leur boîte. Donc je leur ai dit que je préfère de partir, à mon avis, on ne va pas en sortir. Donc j'étais licencié économique en octobre 2001. Donc je me retrouvais aux Assedic et ça s'était et donc je me disais voilà c'est l'opportunité pour moi de créer mon entreprise.

RK: oui, tu m'as dit là quelque part dans mon questionnaire que l'Assedic et être au chômage ça t'a vraiment aidé.

NF: Absolument.

RK: dans quel sens ?

NF: Ca ma aidé je pense a plusieurs niveaux. Alors le premier, d'abord au premier niveau de disponibilité intellectuelle et de temps. Simplement quand on évidemment se trouve au chômage on ne va pas travailler tous les matins, et on a le temps pour réfléchir notamment à la création d'entreprise. Le deuxième point: c'est que: Il y a un système en France, j'ai eu beaucoup de chance enfin j'ai décidé de travailler sur la création en novembre 2001 et à partir de février/mars 2002 il y a une nouvelle loi qui est passée qui permettait aux créateurs d'entreprise de continuer à percevoir une partie, la majeure partie de leurs droits

de chômage, pendant qu'ils créaient leur entreprise. Donc ça était aussi, clairement, les Assedic était, aussi, le fait de se trouver en chômage était une bonne opportunité pour créer une entreprise. D'une part au niveau financier d'autre part au niveau du temps qui s'est ouvert.

RK: Tu avais une certaine sécurité financière.

NF: Exactement. Oui,

NF: Sachant que j'avais déjà au préalable avant de créer l'entreprise, quelques réserves financières qui me permettaient si je n'avais pas eu les Assedic de tenir une année sans revenus.

RK: Ce qui m'intéresse beaucoup, j'ai beaucoup de questions, ce qui m'intéresse, dans ma thèse je me focalise sur les réseaux des entrepreneurs, des créateurs et donc là j'ai amené une petite feuille où je voulais que tu me mettes les phases que tu as vécues.

NF: Je te l'avais pas déjà mis sur l'autre papier ?

RK: Oui, tu me l'as déjà mis. Et sur les phases, sur chaque phase si possible, j'aimerais bien identifier les personnes avec qui tu as travaillé, qui étaient impliquées dans les phases. Et si tu peux peut-être faire comme un ranking, comme un classement où tu dis si quelqu'un était fortement impliqué. On peut travailler avec un «likert scale? C'est un truc entre 1 et 5 par exemple et 5 ce serait fortement impliqué et 1 ce serait moins bon, c'est un peu pour qualifier franchement.

NF: D'accord, ok

RK: Tu veux prendre cette feuille ?

NF: Si tu veux, mais ça c'est les phases, les différentes phases ?

RK: Oui, c'est ça, parce que là tu m'as mis : rencontre des contacts issus de mon cercle privé et professionnel. Mais qu'est-ce que tu as fait dans cette phase là ? Qu'est-ce qu'il y avait comme activités ?

NF: En fait quand j'ai commencé à réfléchir à la création d'entreprise, j'écris quoi, tu veux que j'écrive le nom des gens?

RK: D'abord les activités.

NF : je te laisse peut-être l'écrire, car c'est mieux ce que tu veux ..

RK: les activités dans la phase, la première phase

NF: La phase A. D'accord. Alors, en fait, au début qu'est-ce que j'ai fait par rapport au réseau

RK: Ou par rapport à l'entreprise que tu voulais créer.

NF: Oui, absolument, ce que j'ai fait, c'est que assez rapidement j'ai commencé à bâtir, à écrire sur un papier, qu'est-ce que serait l'entreprise, quelle serait l'offre que je pourrais proposer. Donc ça, ça a été vraiment la première étape. Et par rapport au réseau ce que j'ai fait, c'est qu'ensuite j'ai rencontré des gens, alors c'était des rendez-vous informels, la plupart du temps en fait j'ai fait deux choses, soit du contact direct avec des gens que je connaissais, soit issus du réseau privé, soit issus du réseau professionnel avec lesquels je déjeunais généralement, j'organisais des déjeuners parce que c'est des gens qui travaillaient, qui n'avaient pas forcément du temps. Donc j'allais déjeuner avec eux et je leur exposai l'idée que j'avais de l'entreprise. D'accord. Et avec pour objectif, j'avais deux objectifs à chaque fois, le premier c'était d'avoir leur feed-back, qu'est-ce qu'ils en pensent : est-ce que c'est une bonne ou pas une bonne idée ou comment est-ce que je devrais affiner le positionnement et l'offre et un deuxième objectif c'était d'obtenir un ou deux noms de personnes qui pourraient soit être des futurs clients ou soit des gens qui sont un peu dans ce business là ou me donner leur avis.

A chaque fois j'avais ce double objectif dans le cadre d'un déjeuner. Il faut savoir aussi que quand on crée son entreprise on est très seul. On est chez soi, le matin on se lève, on est chez soi, le soir on se couche on est chez soi, on passe sa vie chez soi. C'est un peu terrible quand on a l'habitude d'avoir une vie qui est rythmée par les horaires de bureau, quand on passe sa vie chez soi c'est pas facile. Et l'autre

objectif en fait du déjeuner, c'était aussi pour moi une façon de prendre des rendez-vous. Il était pas question d'aller voir des prospects ou des clients car je n'étais pas prêt mais au moins d'avoir des rendez-vous, de rencontrer des gens, de sortir de chez moi.

Alors donc, et là je rencontrais soit des gens soi qui pouvaient me renseigner sur la partie plus marketing – positionnement, soit des gens qui pouvaient plus me renseigner sur la partie technique - offre . D'accord. Donc j'avais les deux typologies de personnes que je rencontrais. Parce que notamment, en fait je créais une agence alors que moi j'avais travaillé toujours chez l'annonceur, donc c'était un autre métier, enfin vraiment un autre environnement et dans mon offre il y avait aussi de la vidéo et je n'avais jamais fait de vidéo de ma vie. Donc j'avais besoin de me renseigner qu'est-ce que c'était la vidéo, comment ça marchait, qu'est-ce qu'on pouvait proposer en terme de vidéo, etc...

RK: Est-ce que tu peux me rappeler exactement tes produits ?

NP: Donc on est une agence de communication numérique et notre métier c'est de concevoir et de réaliser des supports d'aide à la vente, de formation et de communication autour de la vidéo, du multimédia et du web. Et ces outils qu'on invente et qu'on réalise, on les diffuse ensuite sur tous les types de supports qui existent : donc des CD, des DVD, des ordinateurs, des portables, des téléphones, des écrans plasma, des bornes, Internet, intranet, extranet, tout type de support de diffusion. Voilà. Donc voilà : la première étape c'était vraiment de mieux comprendre le métier vers lequel j'allais aller et puis par ailleurs d'avoir du feed-back sur le positionnement. Donc ça c'était vraiment la première étape. Une fois que j'avais un peu affiné l'offre de l'entreprise et son positionnement, que j'avais compris comment ça marchait, comment on faisait pour faire de la vidéo, quel était l'équipement dont j'avais besoin, les ressources, les compétences, etc... une fois que j'avais mieux cerné l'entreprise, l'offre, le positionnement et les moyens dont avait besoin l'entreprise. Donc j'ai travaillé sur la création de boutique communication, j'ai fait une plaquette, j'ai fait des cartes de visite, un logo, etc et ensuite je suis passé dans une deuxième étape, qui était une étape de prospection, de trouver des clients. Et donc là pour cette deuxième étape j'ai également fait appel à mon réseau.

RK: Dans cette phase n° 1, avec qui précisément est-ce que tu as eu des contacts? Qui était là? Qui t'a aidé, ta famille?

NF: Oui, alors sur la famille, j'en ai principalement parlé avec mon père qui avait déjà monté une boîte etc donc ça j'en ai pas mal parlé avec lui. Sur le réseau professionnel, il y avait des gens avec lesquels j'avais déjà été amené à travailler, donc par exemple SB qui était mon ancien patron chez PS voilà et puis aussi beaucoup avec PPP qui est patron d'une agence de communication traditionnelle et lui pouvait me parler de la partie agence. D'accord?

RK: Ca veut dire agence? Ca veut dire l'administration fiscale?

NF: Pas fiscale mais comment c'est organisé une agence, comment ça marche, quelle est la différence entre une agence l'annonceur, comment est-ce qu'on fait un pricing, enfin voilà qu'est-ce qui fait la spécificité d'une agence de communication par rapport à une entreprise normale? Une agence de service par rapport à une entreprise.

RK : D'accord. Et ce Monsieur s'appelle?

NF: Pablo Perez

RK: Et ça c'était quelqu'un, d'où est-ce que tu le ...

NF: C'était mon agence de com quant j'étais chez P. Autrement, d'autres gens qui m'ont sur cette phase là, avec qui j'ai travaillé. Je me souviens pas, c'était quand même il y a 4 ans. Alors je sais je me souviens par exemple, j'ai rencontré un ami de ma sœur qui travaillait dans la vidéo et qui m'a mis en contact avec d'autres gens que lui connaissait à Paris, car lui habitait à? Il s'appelle M, donc qui ma mis avec des gens qui étaient des professionnels de la vidéo sur Ps, avec lesquels j'ai parlé. Voilà, avec qui j'ai parlé autrement, à la création, après il y a plein d'autres gens. Si, il y a des amis à moi aussi. Des amis comme E ou St, qui sont des gens que je voyais, et je leur parlais, voilà je leur exposais mon idée pour avoir du feed-back.

RK: D'accord, si là cet ami de ta sœur, donc lui il pouvait te fournir des contacts, des spécialistes ?

NF: Exactement, des spécialistes de la vidéo. Exactement. Donc là j'ai rencontré 5-6 personnes comme ça grâce à lui.

RK: D'accord, donc si on veut dire dans cette phase là, ton père, si tu dois le juger sur cette idée là, à quel niveau est-ce qu'il était

NF: Je dirais 3, S je dirais 2, P je dirais 4, je dirais 4 pour M aussi. En terme d'utilité pour moi, c'est ça le ranking.

RK: Oui, oui c'est bon.

NF: Pourquoi c'était écrit là. Et mes amis, les deux dont je parlais, je mettrais 2 et 2.

RK: Donc eux, c'était plutôt pour avoir un feed-back sur l'idée ?

NF: Voilà et eux je les ai aussi beaucoup utilisés dans la deuxième partie. Je les ai plus utilisés dans la deuxième partie qui était trouver des clients et des prospects.

RK: D'accord, on regarde la deuxième partie ?

NF: Oui,

RK: Tu penses, c'est tous les gens dans la phase 1?

NF: Oui, oui, je ne sais pas si... Après ça j'ai vu des gens qui étaient dans mon univers professionnel de chez PS, et je prétextais le fait de faire un déjeuner, etc pour leur parler de mon projet, des anciens collègues ou des gens qui travaillaient dans le même secteur d'activité.

RK: D'ACCORD

NF: Donc la deuxième partie c'est trouver des clients et des prospects. Et donc là j'ai appliqué un peu le même système, qui était de faire des déjeuners avec des gens et puis de repartir avec deux contacts à appeler. C'était l'objectif; avoir deux contacts à appeler. Et c'est comme ça que j'ai eu mon premier client. C, c'est grâce à E dont j'ai parlé tout à l'heure, qui m'a donné le contact d'une personne en disant bien appelle-le de ma part, et il y a peut-être des choses à faire avec lui et c'est comme ça que j'ai eu le premier contrat.

RK: D'accord

NF: Mon deuxième contrat c'était avec PS, d'accord, donc là c'est S, mon ancien patron dont je parlais tout à l'heure, voilà. Il m'a fait travaillé. Mes deux premiers contrats. Et c'est grâce à ces deux premiers contrats que j'ai créé l'entreprise.

RK: D'accord.

NF: Donc on voit l'importance du réseau. C'est ce qui a déclenché la création de l'entreprise. Passer de l'idée au dépôt des statuts, quoi. C'est grâce au réseau. C'est marrant parce que je m'en rends compte en te le disant. Mais de fait, c'est vraiment ça.

RK: Oui.

NF: Et autrement, un autre client que j'ai eu très vite aussi, c'est NC, et ça c'est un autre copain qui me l'a donné... et c'est un autre copain, un mec qui était fournisseur pour moi quand j'étais chez P, qui faisait des stands et pareil, j'ai déjeuné avec lui et il m'a dit : appelle cette boîte là, ils ont probablement des besoins pour un film. Et c'est le premier film que j'ai fait. C'était à NC, grâce à O, il s'appelle, et il faut savoir que O c'est celui qui est en train de monter CI Bordeaux.

RK: Ah oui, et tu es resté en contact avec lui, c'est génial ça

NF: Voilà, donc ça c'est la deuxième phase, c'est utiliser le réseau pour pouvoir...

RK: Es-ce qu'il y a quelqu'un qui était très très clef, là parce que tu as parlé de ton ami Emmanuel, c'est un homme ou une femme.

NF: C'est un homme, oui E on se sait pas

RK: Donc, Et, si on voulait le juger là, sur cette idée encore une fois, où est ;..

NF: Là pour moi c'est difficile car en fait, de juger de la qualité des interventions des différentes personnes, c'est difficile de juger parce que Stéphane sinon, dont j'ai parlé tout à l'heure, par exemple, m'a mis en contact avec des gens que j'ai rencontrés. mais après c'est moins, en fait ça dépend pas d'eux. Autant si S, su je dois le noter, c'est 5, car lui, il était le patron de P; il a dit oui je travaille avec toi, donc il était décisionnaire. D'accord. En revanche E lui il m'a juste donné un nom et après ça, si par chance ça aboutissait, lui il n'y était pour rien, alors que S, c'était lui le décisionnaire. Alors je vais te mettre des points, je mets 5 pour S, 2 pour Et et 3 pour O, parce qu'O il avait un projet défini. Il avait identifié un projet, il m'a appelé et m'a dit vas-y. Même 4, ça vaut 4.

RK: Comme tu veux. Donc il a eu un projet...

NF: Voilà, lui il a identifié un projet. Il m'a appelé, il m'a dit appelle la société : il y a un projet et je l'ai fait. Lui, il est venu il m'a dit j'ai un projet pour toi, et lui, il m'a dit appelle machin et il y a peut-être des choses à faire ensemble.

RK: Ah oui, ça c'est très important.

NF: Trois niveaux différents.

RK: C'est ça

NF: J'ai un projet, appelle de ma part, le troisième c'est :j'ai identifié un projet, appelle. C'est vraiment les trois cas de figure, et c'est mes trois premiers clients.

RK: D'accord qu'est-ce que tu as fait avec tes parents dans cette phase là ?

NF: Juste pour finir, je rajouterai un troisième, qui en fait le client chez C a été ensuite un relais pour moi pour travailler beaucoup chez C. C'est-à-dire que c'est mon client qui ensuite m'a recommandé à ses collègues et ça, ça a été aussi une grande aide. Parce que comme il savait que j'étais en train de monter ma boîte et tout, il a eu envie de m'aider. Et que ça se passait bien. Il m'a dit je vais t'aider, je vais essayer de te présenter des gens machin et tout et j'ai fait beaucoup de business avec C grâce à lui.

RK: Il a eu envie de t'aider Pourquoi?

NF: Exactement, il a eu envie de m'aider. En fait, ce qui se passe avec lui, il s'est pas mal identifié à moi, c'est un mec qui a à peu près mon âge et il s'est dit, et en fait, lui probablement, d'ailleurs c'est pas probablement il me l'a dit, il aimerait bien monter une boîte, mais bon, il a un gros poste chez Carrefour et tout, je pense qu'il ne montera jamais de société, mais on ne sait pas, on verra. Mais là, il s'est projeté à travers moi dans la création d'entreprise.

RK: D'accord, donc sur tes parents, pour revenir

NF: Sur cette phase là. Mon père a essayé de me refiler un peu des clients. Alors c'est intéressant comme point ça, il avait une boîte qui était sur la formation et il avait des clients. Mais bon, là il était à la retraite depuis un an, deux ans et il m'a donné des contacts de ses anciens clients. Et d'ailleurs c'est étonnant mais je n'ai jamais signé de contrats avec ses anciens clients. Pourquoi, parce que en fait ses clients avaient l'habitude de travailler avec lui d'une certaine façon. Donc ils avaient des attentes qu'ils projetaient sur moi par rapport aux attentes qu'ils avaient lorsqu'ils travaillaient avec lui. Et moi, j'avais une offre qui ne correspondait pas à leurs attentes. Donc à chaque fois on n'arrivait pas à se comprendre et à travailler ensemble, donc là, en terme d'aide je mettrai 1, car ça m'a même desservi, car j'ai passé beaucoup de temps pour finalement ne rien signer.

RK: D'accord.

NF: La troisième étape sur le réseau c'est une étape qui concerne, c'est que j'ai mis en œuvre au bout de deux ans, je crois, oui c'était en deux ans, c'est que j'ai fait, c'est que j'ai identifié autour de moi 6 personnes pour constituer un espèce de conseil stratégique, de comité de conseil stratégique qui sont en fait des gens qui ont tous des profils très différents, alors on va retrouver ceux dont j'ai parlé tout à

l'heure. Dedans il y a Serge, il y a Pablo, il y a mon père, il y a Stéphane, il y a Robin qui est celui qui a monté Concept Imagions, qui est promo 93.

RK: Aussi un ESC Rouen

NF: Oui, c'est un copain de l'Ecole. CI. Donc on est 8 en tout S, P, Papa, St, R, L. ESC Rouen, comme moi.

RK Qu'est-ce qu'il fait?

NF: Il est patron, ça je te dirai ce que font chacun. Il y a un copain de R qui s'appelle YB, et j'en oublie là. 1,2,3,4,5,6,7,8 avec moi. Non c'est ça. Donc ça, c'est le conseil. J'appelle ça conseil d'administration mais ce n'est pas un conseil d'administration parce qu'on est en SARL. Mais bon, c'est l'équivalent d'un conseil d'administration. L'idée c'est de prendre des gens qui sont tous des gens à fort potentiel, à haut potentiel, d'accord, qui ont tous, qui sont très performants professionnellement, qui sont, des gens qui sont proches de moi affectivement soit famille, de façon familiale, soit d'amitié, soit bla, bla. issus d'un réseau privé ou professionnel, que des gens qui sont très proches, donc c'est tous des gens du privé finalement et donc avec des profils très disparates et pas forcément en accord, en cohérence avec mon business. D'accord. Si on prend S, donc lui il est patron d'une filiale, d'une société américaine, patron européen, donc il a un gros poste. P, donc il est patron d'une agence de pub. St il est associé chez CG, dans une division qui s'occupe de la stratégie pour les grands comptes, il travaille avec Total, etc... donc lui il ne sait pas ce que c'est la communication, il sait pas ce que c'est que le multimédia, il ne connaît rien. Y, il est directeur marketing chez MS, donc lui c'est plutôt le client, il représente le client lui. LP, il est directeur d'une filiale, d'une grosse société japonaise, il est directeur pour l'Europe, c'est des pièces automobiles, donc ça n'a rien à voir aussi avec mon business. Lui il a des fortes compétences en finance notamment, il est très gestionnaire. Et mon père, lui c'est plus le côté expérience. J'ai fait le tour ou pas ?

RK: S, P, St, R

NF: Alors R, c'est celui qui a monté Lyon, c'est pour ça qu'il est là.

RK: Mais qu'est-ce qu'il a fait avant ?

NF: oui, alors il a, on a monté CI Lyon, d'abord parce qu'on est amis. Ensuite lui il a travaillé, il a fait du marketing dans les grands comptes, il a été chez L'Oreal, chez le Club Med, chez Bledina, ensuite il a bossé deux ans dans une agence de pub à Lyon. Et puis, il en avait marre d'avoir un boss, il voyait que moi ça marchait bien, il a dit pourquoi on monte pas CI à Lyon ? et ça s'est fait comme ça.

RK: Et L? Il est directeur pour l'Europe pour des pièces automobiles chez autobacs et Y est le directeur marketing chez MS.

NF: Oui, Alors c'est très intéressant car c'est des gens que je réunis deux fois par an donc tous les 6 mois en avril et en novembre et c'est intéressant à plusieurs niveaux: Premièrement cela me force à faire le point sur où j'en suis de façon formelle et approfondie de où en est l'entreprise aujourd'hui afin de la représenter et de voir ce qu'on a fait en six mois et de voir les grandes lignes.

Encore une fois ce sont des gens, qui sont de très bon niveau, pour lesquels j'ai beaucoup d'admiration .C'est donc que j'ai un niveau d'exigence personnelle sur la qualité de cette réunion qui est très fort , qui me force vraiment à travailler avant de les réunir . Donc premier intérêt c'est que cela me permet de prendre du recul par rapport à l'activité, de sortir un peu la tête du quotidien et deuxième intérêt c'est que ça me permet aussi, sur la stratégie de l'entreprise, de proposer différentes pistes et d'avoir leur feedback sur la base de ces différentes pistes .

Alors encore ce qui est très intéressant c'est que ce ne sont pas des gens qui sont spécialistes du métier, ce qui me permet vraiment d'avoir des questions et une remise en cause fondamentales à chaque fois des choix et des options que je propose. Il n'y a aucune certitudes ni d'a priori puisqu' ils ne connaissent pas le business , ils ne connaissent pas le métier . Donc ils sont à priori très candides et voilà. Il faut savoir que c'est une réunion qui dure quatre heures en général et j'en sors épuisé .Mais c'est très extrêmement positif et c'est à mon avis une des clefs de l'agence aujourd'hui.Ca me permet de voir ce qui est vraiment important , de faire le tri c'est essentiel .Et ça ce ne sont que des gens du réseau et ils ne le font ça que par amitié pour moi . Je leur ai filer 0.5% du capital à chacun c'est vraiment anecdotique donc ils font vraiment ça par amitié pour moi et c'est vraiment un facteur-clef de succès pour moi .

RK: D'accord .Et tu les rencontres deux fois par an alors. Et là tu le fais depuis quand?

NF: En fait ça fait moins longtemps que ça puisque ça doit faire depuis avril l'année dernière et ça m'étonne parce que j'ai l'impression que ça fait plus que ça non j'ai du en faire trois donc ça fait un an et demi je pense .

RK: D'accord. Mais comment t'ai venu cette idée de créer ce truc là ?

NF: Je ne sais pas. Un jour je me suis dit que ça serait bien de pouvoir échanger avec des gens ... En fait c'est des gens que je croisais régulièrement les uns après les autres , avec qui j'avais déjeuné pour parler de mon business et puis un jour je me suis dit pourquoi est ce que je ne ferais pas une vraie réunion avec tout le monde dans la même pièce .

RK: Oui , c'est génial .

NF : Oui c'est vraiment un bon truc.

RK: Donc là c'est toujours la deuxième phase ...

NF: Non la troisième .

RK: D'accord. Donc là le ranking ?

NF: Là je mettrais quatre partout .

RK: Donc au niveau d'utilité?

NF: Sauf R, moins pour lui car on se voit au quotidien donc deux pour lui .Ils sont tous très intéressants .

RK: D'accord donc ça c'est la phase trois .

NF: Voilà . Et la phase quatre c'est la phase que je suis en train de mettre en place aujourd'hui , qui est une phase de réseau professionnel . Donc par exemple le club entrepreneur , c'est le moyen de développer du réseau , de faire du networking pour l'entreprise et pour moi . Je suis en train d'adhérer aussi à un G.I.E. , qui est un regroupement d'agences de communication enfin d'agences de service pour les entreprises on va dire . Il y a une boîte qui fait des relations publiques , une autre qui fait recrutement/chasseur de têtes ou aussi conseil en management . Enfin on est sept ou huit on forme un G.I.E. .

RK: Un G.I.E. ?

NF: Groupement d'intérêts Economiques , c'est une association .

RK: Et tu es en train de créer cela ?

NF: Non non ça existe déjà et moi je vais rentrer dedans .

RK: D'accord.

NF: J'essaye aussi de trouver des moyens de me créer un réseau professionnel . Car là ce n'est plus un réseau privé mais c'est vraiment un réseau business pour la boîte. C'est pour le cas du développement de l'entreprise . Car il y a un moment où l'entreprise arrive à un certain niveau de maturité et il faut qu'elle existe par elle-même enfin je ne sais pas comment expliquer ... C'est plus concept image qui s'inscrit dans un réseau que NF . Ce n'est plus NF qui est dans un rapport de réseau mais c'est l'entreprise qui rentre dans un réseau . Tu comprend ce que je veux dire ou pas ?

RK: Oui oui ...

NF: C'est un autre niveau de réseau . Et d'ailleurs ce sera moi ou le directeur commercial qui ira au G.I.E.

RK: Oui ça c'est très important car tu as dit que c'était l'entreprise qui rentrait dans le réseau mais plus toi ?

NF: Oui exactement .

RK: Car à un moment donné tu as mis l'idée de se détacher de l'entreprise elle-même . Est ce que il y a un lien entre ça et ça ?

NF: Oui je pense oui . C'est à dire que je pense que c'est important de mettre de la distance dès le jour où je crée l'entreprise . Avant même de la créer , j'avais la conscience aiguë du fait que je voulais que l'entreprise et ma personne soit deux choses différentes : l'entreprise n'est pas NF; NF n'est pas l'entreprise . Ca c'est important aussi par rapport à l'idée d' indépendance car on se dit tu crées ton entreprise tu es indépendant c'est toi le patron. En fait c'est un peu une utopie romantique ,l'indépendance. Car on se rend vite compte que l'on est plus dépendant en tant que chef d'entreprise que lorsque l'on est salarié car là on rentre chez soi le soir et le week-end on part en vacances ,dans ces moments-là l'entreprise n'existe plus .Et là on a une vraie indépendance par rapport à l'entreprise quand on est salarié alors que quand on est chef d'entreprise il y a toujours un cordon qui vous rattache à la société même le soir même le week-end et même pendant les vacances . Donc cette notion d'indépendance , de rêverie romantique de l'entrepreneur indépendant , il faut prendre ça avec recul d'une part . Et le deuxième point c'est que moi j'ai vu beaucoup de patrons d'entreprise se faire complètement happés par leur propre société c'est à dire que comme la valeur ajoutée que crée l'entreprise quand on est son propre patron c'est de la valeur ajoutée pour soi on a tendance à dire plus je vais travailler plus la société va se développer , plus la société va se développer plus elle va gagner de l'argent donc je vais gagner de l'argent ,donc il suffit d'aligner les heures les unes derrière les autres pour accélérer le développement de l'entreprise . Ce qui est à mon avis une erreur fondamentale Pourquoi? Parce-que je pense que si jamais on s'investit trop dans l'entreprise on perd cette indépendance vis-à-vis de l'entreprise , on perd le recul , la distance par rapport à l'entreprise donc ce n'est pas bon dans le cadre de développement de l'entreprise car pour qu'une entreprise tourne il faut qu'elle puisse tourner sans son patron , par exemple si demain je passe sous un camion avec ma moto , il faut que l'entreprise soit capable de fonctionner toute seule . Autrement ce n'est pas une entreprise autrement c'est moi , d'accord ?Et puis la deuxième chose qui est importante ,c'est que j'ai la conviction profonde que l'on ne peut être à 100% ou à 120 % de ses possibilités qu'à partir du moment où , en tout cas c'est vrai pour moi mais je pense que c'est un peu une généralité , qu'à partir du moment où le soir à huit heures , je rentre chez moi je fais autre chose , que le week-end je ne travaille pas et que je prend au moins cinq semaines de vacances par an . Pareil pour les employés . Dans les agences de com on voit beaucoup d'employés rester jusqu'à minuit , deux heures du matin etc. Le soir ici à six heures et demi 80% des personnes sont parties et à sept heures et demi il n'y a plus personne même moi je suis parti ou huit heures maximum . J'ai du travailler deux week-end en quatre ans . Et depuis la création de l'entreprise , j'ai pris plus que cinq semaines de vacances par an . Et ça c'est la condition de mon équilibre personnel et donc de mon efficacité au travail . C'est pour ça que c'est important qu'il y est de la distance avec l'entreprise entre soi et l'entreprise , c'est pour pouvoir être finalement mieux dans ses pompes ,plus équilibré et donc être plus performant et donc que l'entreprise soit plus performante .Mais là on s'éloigne de l'histoire des réseaux .

RK: Oui mais c'est important quand même , pour comprendre comment tu vois les choses car c'est vrai que je ne comprend pas ton réseau .

NF: Oui mais il y a un truc qu'il faut voir c'est que je ne suis pas tellement un homme de réseau

RK: Ah tu n'es pas un homme de réseau ?

NF: Non je ne pense pas . Ca se voit, par exemple mon directeur commercial lui il est arrivé avec 250 cartes de visite . Pourtant c'est un mec qui a mon âge qui a fait une école de commerce aussi qui a fait l'ESCAR à Angers mais lui il a un vrai réseau . C'est à dire qu'il a pris des rendez-vous avec ces personnes , qu'il reste en contact avec ses anciens collègues d'entreprise , avec le cousin de la belle-sœur de sa femme enfin bref il a un vrai réseau business beaucoup plus actif que le mien . Moi j'ai un petit cercle très actif mais pas un large réseau . C'est assez impressionnant lui il a pris des rendez-vous , les trois premiers mois il a passer son temps à aller à des rendez-vous dans des grosses boites avec des gens qu'il connaissait , des gens auxquels il était lié . Moi je suis incapable de faire ça je n'ai pas ce réseau-là moi .

RK: Ok . Ce que je voulais faire maintenant avec toi ,c'est une petite expérimentation . L 'idée est de prendre les gens dans les différentes phases , je les met sur des papiers sur une table et on va les identifier. Donc on en prend trois ou quatre on va identifier ce que deux ont en commun et ce qui distingue le troisième .

NF: D'accord .Donc je met les noms sur une feuille.

RK: Là j'ai déjà des petites feuilles préparées. Donc la famille j'ai ton père. Ta mère non?

NF: Non elle n'est pas assez impliquée.

RK: Non. Qui est-ce que tu veux inclure dans la première phase seul avec une feuille ?

NF: Je ne me souviens plus très bien des gens de la première phase. Alors il y avait M.

RK: D'accord ton père ...après S, P...

NF : Oui tu vois on retrouve toujours les mêmes en fait, j'ai un petit réseau en fait .

RK: Oui mais ce n'est pas grave ,c'est bien même. Après M, E,St

NF: Ok et là je fais quoi alors?

RK; Alors on les reprend, on en prend trois, n'importe lesquels . Donc on prend les deux-là par exemple St et S et on va identifier ce qu'on les deux en commun .

NF: Concrètement ils n'ont aucun rapport à part le fait qu'ils sont tous les deux au conseil d'administrations dont je te parlais tout à l'heure .

RK: Ah d'accord, ça c'est déjà important.

NF: Ensuite qu'est-ce qu'ils ont en commun, ce sont des gens qui sont très performants professionnellement et qui partagent l'un comme l'autre une vraie vision stratégique du business ,voilà.

RK: Oui parce-que l'idée est, ...regarde, ça s'appelle « repertory grid» C'est une technique, je n'ai pas vu ça avant, appliquée sur les entrepreneurs. C'est mon directeur de thèse qui me l'a proposé donc il faut travailler avec les cartes comme ça et les concepts qu'on identifie on les met là à gauche et à droite, et il faut trouver comme des contrastes. Oui tu dis par exemple, performant professionnel, ça c'est un bon adjectif, une bonne caractéristique, donc on peut mettre ça là et ce qu'on met sur le côté c'est plutôt négatif et après ça c'est des personnes, il faut juger les personnes. C'est vraiment les concepts qu'on a identifiés.

NF: d'accord

RK: Tu vois un peu. Donc là, par exemple, je vais va mettre performance professionnelle et qu'est-ce qu'on dit sur l'autre côté

NF: Qui est le contraire de ça?

RK: Oui contraire, ou... oui contraire.

NF: Pour moi le contraire, c'est ...

RK: Ou peut-être on va le trouver avec Pablo, on va voir, OK? Mais là on a par exemple performance professionnelle et une vision stratégique du business. OK, on les met déjà là-dessus.

NF: Et là, le contraire ce serait approche opérationnelle du business.

RK: Par exemple, ça peut.

NF: Là pour moi c'est évident. Mais la performance professionnelle, j'ai du mal à...

RK: Personnelle peut-être?

NF: Ah, oui, c'est très bien, c'est très bien, c'est très bien oui, absolument, absolument alors je ne sais pas si c'est performance le bon terme mais l'idée c'est ça. Il y en a qui privilégient l'aspect personnel, d'autres l'aspect professionnel. Ces deux-là ils privilégient, quand même, lui il est à fond dans le professionnel. C'est ça. Lui c'est aussi un peu ça.

RK: On va mettre S et St. Et on va les juger encore une fois sur 1 sur 5.

NF: On dit 1 c'est là, 5 c'est là?

RK: Oui, normalement 5 c'est les bons

NF: D'accord, et 1 c'est là. Donc là en performance professionnelle par rapport au personnel. St il est à 5 et S il est à 4. Et P lui il est à 3.

RK: Donc on met P là.

NF: Oui. Il décrit bien les deux. Vision stratégique : St il est à 5 et les deux autres à 4.

RK: OK; c'est un peu ça. Donc là à voir Pablo, qu'est-ce qu'il apporte que les autres n'apportent pas ?

NF: Lui, c'est l'expérience de l'agence. D'accord? Donc lui il a une approche agence alors que les autres ils ont une approche annonceur. Tu vois ce que je veux dire?

RK: Non.

NF: Annonceur, c'est les entreprises normales qui demandent aux agences de travailler pour elles. On appelle annonceur ; annonceur c'est les clients, tu vois ? Donc P, il est à 5 sur l'approche agence. Donc c'est très intéressant pour moi. Tu comprends ou pas?

RK: Oui.

NF: Moi je suis une agence de communication donc j'apporte des services à des annonceurs, on appelle annonceurs, c'est la terminologie, mes clients c'est des entreprises et P lui il est agence. Tous les autres ils sont entreprises, plus ou moins d'ailleurs. Donc approche agence, approche entreprise.

RK: Ah oui, donc on met là.

NF : Exactement, approche agence et approche entreprise ou annonceur, comme tu veux. Donc S il est plus entreprise qu'agence, donc il serait 2. F il est plus, il est à fond annonceur, non il a un côté, donc il est 3 parce que lui il fait du service aussi donc il a pas un métier d'agence et P c'est qui ? P? Donc lui il est carrément agence, il est 5. Mais c'est difficile, on peut pas dire ça c'est positif, ça c'est négatif. Tu vois ce que je veux dire ?

RK: Non, c'est ça, tu sais avec P et G on a fait les mêmes exercices aussi et eux, ils pouvaient pas dire c'est un chiffre, mais ils m'ont dit par exemple sur performance professionnelle, c'est un 2 et sur performance personnelle c'est un 3.

NF: Alors je peux faire ça aussi

RK: Je sais, mais dans la bonne théorie, c'est ça.

NF: donc ça c'est vraiment ce qui le différencie lui des autres.

RK: OK, donc on a fait les trois. On les met à côté. Il nous reste encore 3 : M, E et S.

NF: D'accord, alors lui il est assez technique

RK: M?

NF: Voilà, donc ça, ça peut être technique ou commercial: approche technique ou approche commerciale. Business: front-office ou back-office. D'accord, donc ça peut être une ligne.

RK: ah ok, donc lui il est les deux?

APPENDIX 6.1
INDIVIDUAL PHASES MODELS, NUMBER OF
TIES AND ACTIVITIES

APPENDIX 6.1/1: Individual phases models, number of ties and activities

Entrepreneur/phase	JT	E	LS	PL	SLB	AC	BS	NFi	CB	PP	NF	MB	AL
Pre-phase		4 years Professional education											
Pre-phase		8mths Project preparation 3p							2mths Study of the concept 3p	1 year find idea 0p			1 year out, idea to create idea 0 p
Phase 1	4mths Reflection 3p	3mths From purchase to opening 4p	1mth Beginnings of the idea 6p	Starting point 3p	3mths find idea 3p	5mths Initial phase 2p	3years Phase of experiment -tation Max of 14	13months Meeting the co- founder 2p	2mths Technical/ practical phase 5p	6mths Idea validation 3p	1mth: meetings 4p	Initiation/ start-up (12mths) 8p	6mths Idea becomes precise: 4 p
Phase 2	6mths concretisation 4p	Point in time Test 7p	3mths Footing/ Training 7p	1 year: product idea 4p	6mths Preparatio n phase 3p		9mths Transition/ Pre-start- up Max of 14	4 years Professional and friendship network development 2p	2mths Financing 7p	2mths: Idea becomes reality 4p	6mths Canvassing 7p	15mths Proof of concept (test) 5p	1 year Company constructio n 4p
Phase 3	15mths Launch 2p	20mths Launch-sale 5p	12mths Launch 7p	21 mths: launch 5p	Launch (point) 3p		Period open Launch Max of 14	9mths The idea becomes concrete 2p	16 years Launch, product development 7p	Point: Launch 3p	2 years after creation Strategic committee 7p	15mths Launch 4p	4 mths Launch 4p
Phase 4					Real life 2p				Now: phase of maturation		GIE 4 years after creation	Duration ? developme nt	

APPENDIX 6.1/2: Individual phases models, number of ties and activities

YC	R	JMB	GK	P&G	Entrepreneur/phase
	Adolescence 1p				Pre-phase
	5 years Studies 1p				Pre-phase
6mths develop idea 3p	6 years Practical application of theory 3p	2 years Reflection 1p	1mth Reflection 7p	6mths Find idea 3 people	Phase 1
1mth The plan 0p	12 mths Idea validation 5p	3 mths Transition 7p	3mths Market Study 8p	18mths From idea to Realisation 18 people	Phase 2
1 mth Launch 5p	1 mth Launch 7p	5mths Launch 7p	9 mths: launch 10p	1 year: Launch 6 people	Phase 3
			9mths Up and running 10p		Phase 4

APPENDIX 6.2
PHASES MODELS (Powerpoint)

APPENDIX 6.3
INDIVIDUAL REPERTORY GRIDS

APPENDIX 7.1
ANALYSIS OF FAMILY TIES

APPENDIX 7.1: ANALYSIS OF FAMILY TIES

Concept	P & G	MB & AL	PP & CB	LS & PL	SLB	E & JT	BS & NFi	NF	R	GK	YC	AC	JMB
Involvement of family in different phases of the creation	P: parents G: parents, brother	MB: n AL: n	PP: n CB: n	LS: y (wife) PL: y (wife)	n	E: y (general family & husband) JT: no	BS: n NFi: n	y, father	y wife	y, wife, father in law	y	y, brother in law	y, father
Father/mother=entrepreneur	P: y	MB: n AL: y	PP: y CB: n	LS: y PL: y	n	E: n JT: n	BS: y NFi: n	y	n	n/a	n	No info	y
Family entrepreneurs as positive and negative role models	Y	MB: n	PP: y CB: y	? PL: n	n/a	n/a	BS: y NFi: n/a	y	n/a	y	n/a	n/a	y
Family environment pushes to get a good education	G: y	MB: y	PP: n/a CB: n/a	n/a			n/a	n/a	n/a	n/a		y	
Family environment fosters entrepreneurial characteristics	n/a	MB: n/a	PP: y CB: n/a	LS: y PL: y	n	E: n	E: n/a NFi: n/a	y	y	n/a	N	n/a	y
Fosters a certain work ethic/ values	P: y	n/a	PP: n/a CB: n/a	n/a	n/a	E: y	n/a	y	n/a	Certain values	n/a	n/a	n/a
Family environment (at time of creation) as deterrent to entrepreneurship	G: y P: n/a	MB: n/a	PP: n/a CB: n	n/a	n/a	E: n/a	BS: y NFi: y	n	n	n	y	n	n
Family as guinea pig	G/P: y	n/a	n/a	n/a	n/a	E: y JT: n	BS: n/a NFi: n/a	N	N	N	N	N	N
Family (excl. partner) providing functional support	N	N	N	N	N	N	N	N	N	N	N	Y	N
Family as bridge	N	N	N	Y	N	N	N	Y	N		N		N
Family as deterrent to entrepreneurship	P: n G: y	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Y	n/a	n/a
Unsuccessful family assistance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Y	n/a	n/a	n/a	n/a	n/a
Family (excl partner) providing emotional support/ facilitating reflection & learning	G/P: y	N	N	N	N	N	N	Y	Y	Y	N	Y	Y
Partner providing functional support		n/a	n/a	LS: Y PL: y	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Partner providing financial security	n/a	n/a	n/a	n/a	n/a	E: y JT: n	BS: n/a NFi: n/a	n/a	y	y	N/a	n/a	Y
Partner providing emotional support facilitating reflection & learning	n/a	n/a	n/a	LS: y PL: y	n/a	E: y		n/a	y	y	n/a		Y
Legend: y: yes, n: no, n/a: not applicable													

