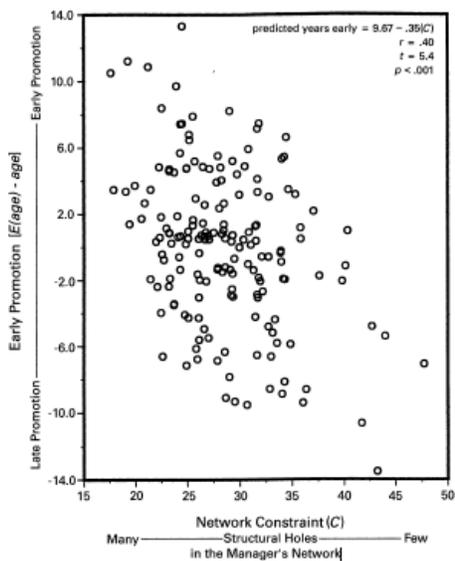

Significance of Social Network for Entrepreneurs

Social Network AKA Social Capital

The value of one's social network is a highly viable tool that can be connected to monetary terms for entrepreneurs. The influences derived from social networks and professional relationships can affect financial capital, potential customers, business connections, human capital, and marketing streams. Not only is social network a viable assets to entrepreneurs it is an asset to everyone. For instance, managers with more social capital get higher returns to their human capital because they are positioned to identify and develop more rewarding opportunities (Burt, 1997). The information attained through social networks is extremely important for entrepreneurs. The information gained through social network include instant access, timing, and referrals. These information benefits proved access to information well beyond what he or she could process alone (Burt, 1997). Also, as the diversity of your social network increase the quality of information benefits is also increases. A study conducted by Ronald S. Burt in 1997 showed that there was a contingent value between social capital and

promotion rate as depicted in the graph below.

Figure 2. Social capital matters: Negative association between network constraint and early promotion.



Burt, 1997

It is also believed that a high level of social capital, built on a favorable reputation, relevant previous experience, and direct personal contacts, often assists entrepreneurs in gaining access to venture capitalists, potential customers, and others. Once such access is gained, the nature of the entrepreneurs' face-to-face interactions can strongly influence their success (Baron & Markman, 2000). You can argue that social capital is supplementary and additive to other investment determining factors. Researchers found that social capital of managers and entrepreneurs affects firm performance indicators such as revenue and profitability (Batjargal & Liu, 2002). Research has also shown that people with rich social capital can attract a more robust and diverse human capital and investors with which they can utilize in launching their startup (Wasserman, 2012).

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