

**Dynamic Networking by Entrepreneurs: Collaborative Efforts in Developing Opportunities and Mobilizing Resources** 

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## **Abstract and Keywords**

Entrepreneurs are active networkers; network connections change over time, new contacts are added, and others are dropped. Entrepreneurial networking is an integral part of entrepreneurial processes and can be a strategic and goal-oriented response to resource requirements; it can also be effectual and driven by an individual and collective desire to meet and interact. This chapter examines how entrepreneurs change their network and use a variety of actions and strategies to engage with friends, family, partners, and strangers. Although entrepreneurial networking in part is driven by critical events and crises as triggers, individual differences in motivation and ability also affect the way entrepreneurs respond and use networking in an uncertain and challenging environment.

Keywords: networking, opportunity development, resource mobilization, legitimacy seeking, events/crisis, effectuation, agency

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**(p. 157)** ALTHOUGH established academic literature and popular science paint a romantic picture of the founding process of new firms by individual heroic entrepreneurs (e.g., Schumpeter, 1934/2008), the entrepreneurs in question do not make it on their own. Even repeat or serial entrepreneurs like Richard Branson who have established multiple businesses acknowledge the support of parents, business and life partners, and other mentors, coaches, and/or investors in helping them survive as start-ups and eventually become successful entrepreneurs (Branson, 2010). The literature lists a number of arguments as to why entrepreneurs are active networkers (e.g., Elfring & Hulsink, 2007). Their lack of resources (information, money, people, knowledge, etc.) and changing resource needs (Jack, 2005; Semrau & Werner, 2014), their disadvantaged network position (Hallen & Eisenhardt, 2012; Newbert, Tornikoski, & Quigley, 2013), and the high potential rewards encourage entrepreneurs to be active and strategic networkers (Vissa, 2011; Aldrich & Kim, 2007). The goal-driven networking perspective views the entrepreneur as

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a rational agent driven by self-interest. In this perspective, the future is predictable, which forms the basis of specific venture goals and associated networking strategies.

Under conditions of uncertainty, however, networking becomes part of entrepreneurial processes rich in ambiguity and with an interactive environment leading to unpredictable changes (Engel, Kaandorp, & Elfring, 2017). More and more studies indicate that (nascent) entrepreneurs also interact with their environment without an instrumental motivation to look for particular network contacts (e.g., Engel et al., 2017). In particular, in situations characterized by levels of uncertainty (Alvarez & Barney, 2007), networking becomes much less goal oriented, simply because goals can be seen as “an invisible moving target” (Huang & Pearce, 2015, p. 3). In conditions of uncertainty, networking can be seen as (p. 158) effectual, which can be characterized as means driven. This type of networking starts from who the entrepreneur knows as part of the means set. Furthermore, new relationships are formed on the basis of individual and shared passions. And finally, effectual networking involves precommitment from self-selected stakeholders. In light of these different types of networking, the aim of this chapter is to improve our understanding of when, why, and how entrepreneurs use goal-directed networking and effectual networking, and whether these two types of networking are mutually exclusive or can be combined in some form of “hybrid” networking.

In this chapter, we examine two illustrative cases—*Chez Panisse* and *Dyson*—looking in particular at the networking actions of the founding entrepreneurs. By exploring the way certain events and crises can trigger learning and networking actions, we were able to shed light on the role of goal-directed and effectual networking in coping with uncertainty and setbacks. Cope (2003) has argued that learning outcomes are triggered not only by routine events but also by nonroutine and path-breaking events. The insight from the cases allows us to extend the discussion about causal and effectual decision making in the domain of entrepreneurial networking (Reymen et al., 2015) and to examine the conditions and implications for “hybrid” networking. In particular, entrepreneurs can combine goal-directed and effectual networking depending on the urgency and uncertainty related to the events or crises they face. When does which type of networking provide the optimal response to the challenges of events and crises causing uncertainty?

Our aim is also to shed light on the way individual differences in motivation and ability affect the networking efforts of entrepreneurs (Fang, Chi, Chen, & Baron, 2015; Semrau & Sigmund, 2012). Most studies focus on how these differences affect goal-directed networking while paying little attention to how individual differences, like extraversion (Casciaro et al., 2015) and political skill (Fang et al., 2015), affect effectual networking. Our cases provide some illustrations of effectual networking practices, such as getting precommitment from self-selected stakeholders and the enabling individual characteristics of openness to engage in effectual networking. As such, we address the call to bring agency back into network research in the field of entrepreneurship (Baker & Bulkley, 2014; Vissa, 2011). We intend to build on and contribute to a research agenda that focuses on entrepreneurship as action and interaction (Venkataraman, Sarasvathy, Dew, & Foster,

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2012; Shepherd, 2015) by illustrating that effectual networking is an inherent part of entrepreneurial action (Engel et al., 2017).

The dynamics involved in networking by entrepreneurs indicate that the static network structure in which the entrepreneur is embedded is a very temporary structure. Networks are in a constant state of flux (Ahuja, Soda, & Zaheer, 2012), and network connections constantly change over time, with some ties becoming stronger and others becoming less intense. At the same time, new contacts are added and others are dropped (Vissa & Bhagavatula, 2012). These dynamics affect the “stock” or size of the network of strong and weak ties. Existing studies report conflicting findings regarding the effects of the size of the network on performance (Stam, Arzlanian, & Elfring, 2014). The dominant efficiency perspective (Hallen & Eisenhardt, 2012) favors a dedicated number of strong ties and goal-directed networking, whereas others emphasize the importance of larger sets of (weak) ties and broader personal networking for a firm to be flexible and resilient (Newbert et al., 2013). We examine which of these two perspectives on how entrepreneurs are networking may provide them with a supportive network that enables them to become resilient. The main research tradition involving resilience is rooted in psychology. It is defined as the ability to bounce back after experiencing hardship or failure (Richardson, 2002). In entrepreneurship, resilience indicates an ability on the part of entrepreneurs and their ventures to return to their normal performance level after a critical disruption (Sheffi, 2005). We want to contribute to existing literature on entrepreneurial resilience by showing that resilience may depend not only on personal traits but also on network ties providing support (Hedner, Abouzeedan, & Klofsten, 2011; Linnenluecke, 2017).

## **Review of Networking Literature: From Structure to Agency and Effectuation**

In the area of network research, scholars are debating the relative contributions of structure and agency in explaining the outcomes. Structure-based studies, which have dominated the discourse for decades, show that certain network characteristics, such as structural holes, weak and strong ties, and diversity, benefit a firm’s performance (Stam et al., 2014). However, in that structuralist view, differences in motivation and ability are discarded on the basis of the assumption that entrepreneurs act rationally (Adler & Kwon, 2002), rather than strategically, when they form their network (Stuart & Sorenson, 2007). We agree with the growing number of studies, in particular regarding entrepreneurship, that entrepreneurs are strategic networkers and try to form network connections that are in their favor (Stuart & Sorenson, 2007; Hallen & Eisenhardt, 2012; Newbert et al., 2013). In the structure–agency debate, we advocate a shift toward a stronger focus on the agency of entrepreneurs to network strategically, without moving toward the entrepreneur as a “hero” networker. In our perspective, networking is only partially goal oriented, and we take the “effectual” networking of entrepreneurs into account.

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The decision to focus more on agency, rather than structure alone, is also supported by empirical observations. Studies by Elfring and Hulsink (2007), Newbert et al. (2013), and Vissa and Bhagavatula (2012) indicate that there are significant differences in the way entrepreneurs change their networks over time. The dynamics involved indicate that the network structure in which the entrepreneur is embedded is less static and more temporary and fluid than we had thought. Most existing studies focus on strong ties; few discuss weak ties, and none really focus on the development of contacts with strangers (no ties): “We have only limited understanding of the value and importance of these pragmatic ties with strangers. In fact, very little is known about how they are established” (Aldrich, Elam, & Reese, 1997, p. 4). A stranger may become a useful weak tie and over time even evolve into a beneficial strong contact. We should also have an eye for (p. 160) casual and incidental encounters of a transient and indeterminate nature and account for non-goal-oriented networking, which can be particularly important in uncertain contexts (Engel et al., 2017). In this perspective, networking can be seen as an integral part of the entrepreneurial process, and one that feeds into that process. Although the entrepreneur may have some idea about where the venture is heading, there is a great deal of uncertainty as well: The enterprise may have to change course in response to market demand or try to gain access to additional funds, allowing it to develop more quickly than anticipated. The uncertainty involved demands a different kind of networking compared to traditional goal-directed networking (Engel et al., 2017). The proactive individual willingly and unwillingly collects critical experiences, accommodates decisive incidents with greater or lesser success, and acquires the necessary skills and expertise through a process of trial and error.

### Networking Actions

Perhaps the most important networking activity is adding new ties to a network. Basically, we can draw a distinction between new tie formation through referrals, meeting people at certain events, and cold calls. Referrals may be the most common way to establish new contacts. Being introduced to a new contact by an existing one is relatively easy, because “friends of friends” are more open to a meeting. Meeting new people at particular events is also relatively easy, based on the likelihood that people who take part in certain events share similar backgrounds or objectives (Stam, 2010). Events include conferences and social occasions, such as concerts and sports events, parties, and dinners. Cold calls, finally, can be considered the most purposeful way to approach people. Very often, tie formation is goal driven, which is certainly true in the case of cold calls, and usually also when it comes to adding new contacts through referrals. In these situations, there is usually a need for something, and within the entrepreneurial context, the search for resources is most commonly mentioned as being the main driver. However, although events may serve as places to establish useful new contacts, people often attend them because of shared activities and interests (Feld, 1981).

Another key network activity is that of strengthening existing ties. Building on key network dimensions of weak and strong ties, this type of activity involves increasing the interaction frequency, trust, and/or emotional proximity of certain relationships. Rather

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than involving one particular action, it is a process consisting of multiple network activities that results in a more trustworthy relationship. Additionally, it can involve turning pre-existing dormant or latent ties (a particular type of weak tie) into active connections (Mariotti & Delbridge, 2012). A final dimension of enhancing tie strength involves the shift from unitary to multiplex usage, which refers to changes in the content flowing through the network tie. For example, in a mentor relationship, advice “flows” from the mentor to the entrepreneur. This relationship may evolve into a multiplex tie, with the mentor providing other types of content as well, such as financial assistance or access to clients.

**(p. 161)** The third type of network activity involves dropping or weakening existing connections, which, like adding new contacts, is part of the evolution of networks. As entrepreneurs move on to new challenges, certain relations often become less important and, as a result, less intense; other reasons may involve a breach of social or personal goodwill and trust (Hite, 2005). Furthermore, in dynamic settings, people can add ties to see if they work out and then drop those ties when the anticipated benefits do not materialize, as part of culling the network, which appears to be one of the strategies used to avoid network overload (Steier & Greenwood, 2000).

### Networking Context and Drivers of Change

Networking actions take place within a social context of existing strong and weak ties. Among strong ties, a distinction can be made between the inner circle and the action set, with the former including personal ties, like friends and family, and the latter containing more instrumental ties that are closely related to the development of the venture (De Koning, 2003). In the traditional categorization, both are part of the strong tie network. This may be problematic, because, in early (nascent) ventures, personal friends and relatives play a different role than trusted strong ties, which are influential in building up the venture (De Koning, 2003). In addition to these two categories of strong ties, we also draw a distinction between existing weak ties and dormant ties (Levin, Walter, & Murnighan, 2011), with the latter being ties that the entrepreneur knows from the past and that once may have been strong ties but with which the entrepreneur has not interacted for a number of years. Due to the trust they built up in the past, these ties are relatively easy to reactivate when necessary, which means they are different from regular weak ties.

These two categories of strong ties, that is, the inner circle and the action set, and the distinction between weak ties and dormant ties allow us to show the size of the categories as well as the dynamics involved. It is possible to account for changing positions from one category to another, for instance, upgrading weak ties to ties that are included in the action set. And in some cases, these strong instrumental ties become personal friends, making them part of the inner circle. Vice versa, dissolution and dilution of ties can also be shown, as contacts move from the inner circle toward the action set, and they can even become weak or dormant ties (Levin et al., 2011; Mariotti & Delbridge, 2012).

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In the existing literature, distinct perspectives have been used to explain how the agency of entrepreneurs may affect their network actions. For instance, Gulati and Srivastava (2014) have proposed a constrained agency framework, where positions in a social setting critically shape the actors' resources and motivations, and these resources simultaneously allow actors to exercise agency when they are motivated to do so. Differences in individual characteristics can play a role, as they affect the actions of entrepreneurs in developing and maintaining network ties. A first group of studies has examined how differences in personality affect the way people shape their networks (Casciaro et al., 2015), for example, showing that more extraverted entrepreneurs have a greater tendency to connect to potential stakeholders; individual differences in emotional (p. 162) intelligence, self-monitoring, and a propensity to connect to others have also been shown to affect the size of the network (Totterdell, Holman, & Hukin, 2008). In addition to examining these individual psychological factors, other studies have examined the role of individual differences in social or political skills on the way entrepreneurs form and use network ties (Semrau & Sigmund, 2012; Fang et al., 2015). For instance, politically skilled entrepreneurs develop more extensive social networks, as they are able to update their network dynamically and their political skill set enables them to manage a diverse resource-rich network without the detrimental effects of network overload (Fang et al., 2015). However, although these perspectives provide some insight into why and how entrepreneurs adopt particular goal-oriented approaches to shaping their network, their impact on effectual networking has been largely ignored, which is why, in this chapter, we use our two illustrative cases to show how these individual differences can also play a role in effectual networking actions.

## **Two Illustrative Cases on Goal-Directed and Effectual Networking**

For this chapter on the networking activities of business founders over time, we selected two illustrative cases. The first entrepreneur we examined is Alice Waters, the founder of the iconic Chez Panisse restaurant in Berkeley and evangelist of the Californian kitchen. The second entrepreneur is James Dyson, the inventor of the special bagless vacuum cleaner and founder of Dyson technologies. In both cases, we use (auto)biographies as a source for their networking actions. The biography of Alice Waters is written by Tom McNamee, and the Dyson story is based on James Dyson's autobiography. Our two illustrative cases on networking over time are inspired by a process view on understanding the emergence and resolution of strategic and operational issues by entrepreneurs and their firms (Pettigrew, 1992).

The cases are used to illustrate the way these two prominent entrepreneurs shaped their networks in founding and further developing their ventures. We looked for networking actions, the context and triggers of these actions, and how individual differences in motivation and ability affect their networking. What were the networking triggers? We distinguished a number of critical incidents, particular events, and crises that require a social

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activity like networking. Certain disruptive events can occur more often, for instance, events related to financial stress and quality issues. They create uncertainty as the entrepreneur has to change the business model in some way. Catastrophic crises, such as fires, bombs, and supply chain disruptions, not only create uncertainty but also require immediate action. For each of these triggers, we explored the types of networking in which Alice Waters and James Dyson engaged. Did they use existing strong or weak ties or dormant ties, or did they form new ties? And did they form new ties directly, through cold calls, or indirectly, through referrals?

### **(p. 163) The Entrepreneurial Career of Alice Waters and Her Chez Panisse Restaurant**

Tom McNamee's biography of Alice Waters and Chez Panisse is used to illustrate her networking behavior. Fresh, high-quality, and locally grown food was difficult to find in California in the early 1970s. Waters's contrasting food experiences abroad were a key driver behind her decision to found Chez Panisse. Together with a neighbor and some food friends, none of whom had any formal culinary training, business experience, or financial expertise, Waters started Chez Panisse, a restaurant committed to using seasonal, organic products from local producers. Dedicated to these high standards, they set out a path to cocreate a unique ecosystem of organic food supply that changed the way Californians look at food. Between 2002 and 2008, Chez Panisse was ranked among the top 50 restaurants in the world, and Waters was awarded among the most influential figures in American cooking in the past 50 years.

The history of Chez Panisse can rightly be characterized as something of a roller coaster ride, with triumphs as well as unfortunate events and disasters. In the early years, the restaurant struggled financially, chefs left after disappointments, two fires almost destroyed the restaurant, and, finally, finding high-quality food ingredients was a continuous struggle. However, all these adversities actually led to greater success rather than decline. Friends, relatives, and strangers alike played an important role in turning the unfortunate events into new opportunities to be seized.

### **Recurrent Events: Hiring Chefs and Food Quality Considerations**

It is easy to respond to recurring events, which are another group of incidents, because they are likely to take place at some point in time, although their exact timing is uncertain. Chefs leaving appears to be a repetitive event at Chez Panisse. The arrival of Paul Bertolli in 1982, to fill the chef's position after Jean Pierre Moulle left, is an example of a pattern: "just at the right moment, the right person seems to appear" (McNamee, 2007, p. 180). Waters was invited to a dinner party of a friend who had hired Bertolli to cook. Waters was impressed by his cooking and background and decided to hire him as the new chef. She had previously hired a relative outsider, Judy Rodgers, a Stanford art history student—also introduced through a friend—after she helped prepare lunches at Chez Panisse and showed a dedication to cooking. Part of the hiring pattern also appears to be

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a lack of formal training and the diversity of the chefs' backgrounds, with their passion for food being what brings them together.

The continuous problems with food quality also required action from the Chez Panisse staff. The developed hunter-gatherer culture was institutionalized by the appointment of an official forager, whose task it was to check out all potential food suppliers, in light of the endless need for higher quality ingredients. Searching for and visiting unknown farmers as potential suppliers was an important activity. In addition, contests were organized where potential suppliers could present themselves, allowing farmers, as self-selected stakeholders, to secure the restaurant's precommitment when they won the contest.

(p. 164) These examples all point to the importance of selecting and developing new ties and integrating them into the ecosystem of Chez Panisse (Chesbrough, Kim, & Agogino, 2014).

### **Crises: Unable to Pay the First Payroll and Fire Destroying the Restaurant**

One of the first crises to test the ability of Waters and her friends to respond was when they realized they would be unable to meet the first payroll. The lack of restaurant, business, or financial experience, coupled with an uncompromising vision that only the best ingredients should be used, regardless of the costs, meant they faced a continuous financial struggle in the initial stages. The hunter-gatherer culture at Chez Panisse can be traced back to these early financial difficulties. They literally foraged their friends' gardens looking for herbs, fruits, and vegetables. The fire in the restaurant in 1982 was the second critical incident that required an immediate response. Close friends and members of the Cheeseboard (another restaurant across the street) organized a benefit party to raise some funding for employees, and they all worked hard to reopen as quickly as possible. Waters took the opportunity to unify the restaurant design; she invited a friend of a friend to help her translate her ideas into the style of the Japanese woodworker who had already done some work in the restaurant. Waters relied mostly on her strong ties, for example, her friends, to help her cope with these crises.

### **Context of Networking of Alice Waters/Chez Panisse: Join the Family**

One of the most prominent insights from the Chez Panisse story involves the triggers for forming new network ties. In some of the incidents discussed, Waters appeared to be very open to meeting new people, often not even with the idea of developing new ties, but in social settings related to food. Meeting Bertolli, soon to be the new chef, was unintentional, but his culinary passion and experience matched the individual and collective motivation for hiring him. Running into Bertolli at the right time can be seen as an example of serendipitous networking, it being a chance meeting of which Waters took full advantage.

The story of Chez Panisse also increases our understanding of strengthening ties in terms of gaining precommitments of stakeholders. The food supply really needed to be improved substantially, because it affected the quality of Chez Panisse. It was crucial to find farmers willing to invest in raising animals, like chickens, pigs, and cows, as well as growing vegetables in an organic and traditional way. They had to convince farmers to precommit to these highest standards and in return agree to buy their products, which resulted

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in an ecosystem of organic farmers who supplied to Chez Panisse. Another aspect of strengthening ties is the reactivation of dormant ties. Waters never lost touch with old friends, even when she had hardly spoken to them in years. These dormant ties were easily revitalized when needed, and she used her charisma to persuade them to help. This happened on regular basis, for example, when Gene Opton was contacted when Waters needed her business skills to deal with the financial turbulence following Chez Panisse's rocky start.

The story of Chez Panisse shows that people regularly ended, or rather weakened, their relationship with Alice, including a number of chefs and key stakeholders who belonged to the core of the restaurant. The first chef, Victoria Kroyer, left after a few (p. 165) years. Jeremiah Tower, the second chef, who had a major impact on the restaurant's reputation, also moved on after a number of years. Many of the people who left returned for shorter or longer periods of time before they really left, for example, Moule, one of the later chefs, who left and came back several times. Disagreements about the restaurant's strategy, personnel, and lack of credit were important reasons for people to reduce the strength of the relationships. However, people also moved on to start their own restaurants, and in fact, the number of spin-off restaurants from Chez Panisse is legendary (Chesbrough et al., 2014).

The dynamics in Waters's tie portfolio consists of a changing set of core people associated with the restaurant interacting with a wider group of people engaged in a healthy food community. The inner circle of people involved, or as Tom McNamee calls them, the "Famille Panisse," not only are loyal to the mission of the restaurant but also share their social lives. The inner circle expands and contracts when ties are added and dropped. One of the founding shareholders and board members of Chez Panisse, Charles Shere, has described the networking style of Waters as "facilitating the intermingling of equally footed people" (McNamee, 2007, p. 184). People with a passion for food can become part of the inner circle, and turning to these like-minded individuals is the hallmark of Waters's networking style, where people's individual and collective ideas about high-quality food are an important networking driver. However, it also occasionally involves people leaving the "Famille Panisse."

## **The Entrepreneurial Career of James Dyson and His Dyson Appliance Company**

James Dyson studied industrial design (1966-1970) at the Royal College of Art (RCA) in London. Even before graduating, he began working on the Sea Truck project (his graduation piece) for entrepreneur and inventor Jeremy Fry and his company Rotork Engineering. Almost from the very beginning, Fry gave Dyson carte blanche, allowing him to perfect and sell the unfinished Sea Truck almost by himself. While working on projects alongside the Sea Truck project at Rotork, Dyson developed the idea for the Ballbarrow as an alternative to the existing wheelbarrow. To commercialize his invention, Dyson decided to leave Rotork, with Fry's blessing, and established Kirk-Dyson together with his brother-in-law Stuart Kirkwood. Although the Ballbarrow was an instant success, it was quickly

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copied and mass-produced by competitors. When Kirk-Dyson lost the court case against a copycat, Dyson fell out with Kirkwood and was ousted from the firm he had cofounded.

Dyson began working on another one of his ideas, a bagless vacuum cleaner called the Dual Cyclone (DC), which separated dust without using a filter. He worked on it meticulously for 5 years. Unlike traditional vacuum cleaners, which lose suction as their bags fill up, the DC would not be clogged with dust and thus maintained its suction. When he needed money to develop the new vacuum cleaner and merchant banks were uninterested in his business, Dyson went back to his old friend and mentor Fry, who invested \$25,000, on top of the money Dyson put in to establish the Air Power Vacuum Cleaner (p. 166) (APVC) company. The original plan was to manufacture the products themselves, but due to complexities, the decision was made to enter into a partnership with the Japanese firm Apex, whose owners not only loved Dyson's product but also offered him a reasonable deal by buying the manufacturing rights of the G-force (the name for the DC in Japan).

After successfully approaching a few dedicated small and independent Italian tooling companies (not related to the incumbent manufacturers) to make the molds needed in production, Dyson was able to go into business alone. Initially, the DC vacuum cleaner was sold via mail order, later followed by deals with major department stores and regional electricity board shops. From the mid-1990s onward, the British company started expanding abroad by investing in commercial relationships with partners in Australia, Japan, France, and Germany. Within 5 years after founding his company, Dyson was number one in the UK market and the company employed 900 people.

### **Recurrent Events: Hiring Staff and Searching for Partners**

A real challenge for Dyson was hiring staff for his start-up and, later, expanding business. Throughout his professional and business career, he stayed in touch with the RCA Design School: In the early 1990s, he hired four designers straight out of the RCA to work in his start-up company, and in the late 1990s, he employed some 20 RCA graduates—in his own words, “risking little with the possibility of gaining much” (Dyson, 1997, p. 55). Dyson relied on the judgment and recommendations of his former lecturers at the RCA Design School, the most important of whom was Fry, his internship supervisor at the RCA Design School. Fry remained important to Dyson, not only as an employer, but also as a mentor/consultant and as a strategic investor in his companies. Dyson's family was also very supportive in helping him launch his businesses. In his first venture, Kirk-Dyson, his brother-in-law was the coinvestor and cofounder.

Dyson's initial business model was based on selling licenses for the production of the DC to domestic and foreign partners. This was no easy matter. A good example of a profitable licensing deal was the one Dyson agreed to with the North American company Iona, which, in 1992, agreed to sell the Fantom/DC to the consumer market. The deal was the result of a casual encounter between Dyson and Iona's owner on a plane. The intensive licensing strategy meant that Dyson had to spend a great deal of his valuable time touring the country and, indeed, the world. When things turned sour after another major infringe-

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ment of Dyson's DC patents, Dyson realized that he had to change his business model and decided to manufacture the DC vacuum cleaner completely on his own, backed by an aggressive patent strategy.

### **Crisis Incidents: A Cascade of Events at Dyson's Two Companies**

Almost immediately after the Ballbarrow had become an almost overnight success, disaster struck. Dyson found out that the idea for the Ballbarrow was stolen by the American company Glassco. It became even more painful when Dyson found out that one of his own sales managers was involved. After a lengthy lawsuit and losing a case that was almost impossible not to win, Dyson found out that he was ousted from the company he cofounded and partly owned. Furthermore, Dyson realized that he had assigned the patent for the Ballbarrow to the company rather than to himself. (p. 167) This experience taught him to never again go into business with relatives (after being forced to leave the company, he did not speak to his sister or brother-in-law for 10 years) and convinced him to establish his next company on his own.

### **Context of Networking the Dyson Way: Us and Them**

The most important opportunities and constraints triggering Dyson's networking activities were the tough competition in the vacuum cleaner market and the dirty tricks used by incumbent market players like Hoover and Electrolux. As a small and struggling entrepreneur trying to develop and sell a radical innovation, Dyson had to overcome major technical, strategic, financial, and legal obstacles to compete with the big companies. Because he had to spend most of his time and money on extremely expensive legal battles rather than investing in the research, development, production, and sales of the DC vacuum cleaner, Dyson regularly faced a shortage of funds. He also needed attorneys to defend himself against the two major companies infringing upon his intellectual property rights, Glassco in the Ballbarrow case and Amway in the 1990s. Dyson received excellent media coverage because of his product's attractive design and because he was perceived as an underdog having to fight the incumbents' dirty tricks.

In all his networking activities, Dyson adopted a task-oriented and aggressive approach throughout his professional life, very much reflecting his background as an industry outsider. To reach out to the public at large, he used the press as an ally, who showed great interest in Dyson's quest against the incumbents. Dyson was very much driven by an "us versus them" approach: little David taking on the Goliaths like Hoover and Electrolux. Dyson relied on like-minded people with a shared design school background, two former tutors from his design school and his long-time mentor, former internship supervisor, employer, and investor Jeremy Fry. The network he developed over time is inward looking: From an early stage, he hired graduates straight out of the university. Also, he relied on multiplex ties, initially his brother-in-law, later Fry, hoping and expecting that they would help him get ahead in the business world. Dyson's multiplex ties with Fry and the intense contacts with his design school's students and former lecturers have had a positive impact on his own career and business activities. Unfortunately for Dyson, another multiplex tie he developed in his early career turned sour when he established his first busi-

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ness with his brother-in-law. His network proved extremely vulnerable when he faced a cascade of setbacks—when he lost a court case and was thrown out of his first company by his brother-in-law. At the time, Dyson had neither the ability nor the resources to bounce back immediately. His network simply lacked the heterogeneity and flexibility required to deal effectively with major setbacks.

### Discussion

Networking is more than a linear, rational, goal-driven process. Entrepreneurs also network to interact with other people for social reasons, like building trust and affinity and sharing passions, as the Chez Panisse and Dyson cases show. Moreover, in situations (p. 168) of uncertainty and goal ambiguity, interactions driven by social factors may become more important than the purely functional and causal reasoning designed to provide access to particular resources. Both cases we examined in this chapter contain illustrations of effectual networking behavior, like networking driven by individual and collective motivations and precommitment from selected stakeholders. In particular, in situations of high uncertainty, entrepreneurs do not know what they are looking for, and effectual networking becomes crucial for survival. The networking actions involved extend recent insights about effectual networking in two ways (Engel et al., 2017).

In the Chez Panisse case, Waters alternates between goal-oriented networking and effectual networking. As such, we found evidence that these two types of networking do not represent mutually exclusive and opposing logics, as some scholars have argued (Dew, Read, Sarasvathy, & Wiltbank, 2009). We can characterize Waters's networking behavior as "hybrid," in that she combines elements in her networking based on effectuation, like securing precommitment from self-selected stakeholders, with the search for particular resources. This observation on hybrid networking extends the finding that entrepreneurial decision making follows "a 'hybrid' logic that contains and combines elements of both effectuation and causation" (Reymen et al., 2015, p. 374) to the domain of entrepreneurial networking. Furthermore, it adds to the issue involving the synergistic effects of combining causal and effectual logics (Smolka, Verheul, Burmeister-Lamp, & Heugens, 2018) by showing that networking involves a sequential use of causal and effectual networking behaviors.

The second contribution in relation to hybrid networking behavior is that the context of effectual networking under conditions of uncertainty requires greater precision. Alternating between effectual networking and goal-oriented networking would imply that the conditions of uncertainty also change back and forth, which seems highly unlikely when uncertainty is defined as the overall situation in which an entrepreneur lacks the information required to predict possible outcomes of actions accurately (Alvarez & Barney, 2007). Some studies suggest that, in the early stages of a venture, the level of uncertainty is relatively high, and that therefore the degree of effectual decision making will be higher than in the later stages, when there is less uncertainty. Our case study involving Alice Waters and Chez Panisse shows that the level of uncertainty is related to certain events.

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Some events, including crisis incidents like the fire in the restaurant, require immediate action, which would indicate the use of existing ties, mostly from the inner circle, to find potential contacts who may be helpful in obtaining the resources required. Although this situation appears to be relatively uncertain, the emergency in question dictates a very instrumental and goal-oriented kind of networking.

On the other hand, recurrent events, like food quality crises, are more open to effectual networking. These events occur repeatedly, although at unpredictable times; they are uncertain in terms of the information needed to create acceptable solutions. In the case of Chez Panisse, in these situations, effectual network strategies are used, such as seeking precommitments from self-selected stakeholders and being open to serendipity. As such, we would suggest that the importance of entrepreneurial networking and the relative importance of causal and effectual networking depend on the type of events and the urgency and uncertainty involved. There is a substantial contrast between the (p. 169) Chez Panisse case and the Dyson case. The networking actions of the latter were dominated by goal-oriented networking, whereas the former could be characterized as “hybrid” networking, alternating goal-oriented and effectual networking.

With most studies on networking focusing on goal-directed networking, the question arises of why some entrepreneurs are more prone than others to engage in effectual networking. What drives some entrepreneurs to use certain forms of effectual networking? We found that, in the case of Chez Panisse, self-selected stakeholders played a large role in the way the restaurant interacted with its environment. In some cases, securing precommitment was part of the way they started their relationship, and in other cases, the initial steps were based on a shared passion for organic food. Meetings, events, and food contests served a purpose, in the sense that people met around the shared interest in and passion for food, which relates to a purpose in life or higher level goal that may be a driver for interactions. From this starting point, the entrepreneur can be open and flexible enough to leverage unexpected surprises or take advantage of serendipity, for instance, by hiring a new chef. To quote Waters: “just at the right moment, the right person seems to appear” (McNamee, 2007, p. 180). We can conclude that effectual networking is not based merely on trial and error, as some scholars have argued (Read, Sarasvathy, Dew, & Wiltbank, 2016). Instead, social interaction is motivated by higher level goals and collective passion. Networking allows entrepreneurs to harness serendipity as new contacts may possess resources that may lead to more opportunities. Therefore, networking becomes an integral part of entrepreneurial endeavors. This observation challenges the dominant perspective that networking is just providing conditions, such as access to information and resources, for entrepreneurial action. In this traditional perspective networking *can* or *will* lead to entrepreneurial action (Autio, Dahlander, & Frederiksen, 2013). In highly uncertain environments, however, (effectual) networking *is* entrepreneurial action.

The size of the inner circle and the flows between the inner circle and the action set have been discussed in the existing literature (De Koning, 2003). In the case of Waters and the founding of Chez Panisse, there is a strong commitment from around 15 people, who not

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only share their work life in the restaurant but also appear to mingle at all kinds of social gatherings, sometimes after work and at food-related events. This relatively larger inner circle of strong ties appears to boost the entrepreneur's resilience when having to deal with a crisis. By contrast, Dyson relied on a very small inner circle of trusted family members and friends, which appears to have made him vulnerable and may well have contributed to the failure of his first venture. There is also a contrast between the kind of hybrid networking of Waters (alternating between causal and effectual) and Dyson's focused and goal-oriented networking, with the latter very much resembling the efficient networking thesis developed by Hallen and Eisenhardt (2012). The potential drawback of this efficiency perspective may be its narrow scope, which limits flexibility. In times of crisis, new resources and outside support may be needed. There are substantial differences in how entrepreneurs are networking, and these differences appear to have consequences. Apparently, having a broader network and engaging in hybrid networking provide the support and resources needed to bounce back. There appears to be a trade-off between efficiency and resilience.

### **(p. 170) Suggestions for Future Research**

Future research may address the performance implications of the distinguished types of goal-directed, effectual, and "hybrid" networking (Table 8.1). Most existing studies have focused on the potential beneficial effects of goal-directed networking. Including effectual and hybrid networking in future studies and how these networking behaviors individually and jointly generate beneficial effects addresses the call for more agency (Ahuja et al., 2012). Such a broader approach to networking may provide insights that may resolve some of the inconsistencies in the literature on the performance implications of networking (Stam et al., 2014), in particular by using various outcome measures, including financial results, as well as developing measures for resource mobilization and acquiring a market reputation as a result of the different types of networking.

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Table 8.1 Future Research Agenda

Future Research Topics	Type of Data	Method and Potential Context
Performance implications of: <ul style="list-style-type: none"> <li>- goal-directed networking</li> <li>- effectual networking</li> <li>- hybrid networking</li> </ul>	Objective data: sales, profit Process measures: opportunity recognition, resource mobilization, market reputation	Surveys The relevant industry, focal organization vis-à-vis peers
Influence of crises on networking Influence of personal traits and entrepreneurial experience on networking Joint influence on networking	Types of crises; types of personal traits; degree of expertise in entrepreneurship Networking measures: adding of new ties, dropping of old ties, scaling up/down of existing ties	Surveys, interviews/case studies, biographies Entrepreneurs and business founders Serial entrepreneurs
Networking is part of entrepreneurial action	Rich data of careers of entrepreneurs and the life course of (new) firms on entrepreneurial activities Data on networking activities	Interviews, diary studies, longitudinal case studies Construct development on different entrepreneurial activities Student entrepreneurs Immigrant entrepreneurs

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Trade-off between efficient and resilient networking Characteristics of resilient networking	Rich data on personal traits and networking styles and development over time to capture bouncing back from failure	Interviews, (auto)biographies/case studies, surveys Entrepreneurs
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The influence of crises on the different types of networking behaviors requires further and more systematic explanations. For instance, future research could examine in what way the choice of certain (combinations of) goal-directed and effectual networking is optimal in relation to the triggering events and the associated uncertainty and urgency.

(p. 171) However, the type of crisis is only one of the drivers of networking; individual differences in motivation and ability also play a role. Openness to new contacts who share a passion and the ability to take advantage of these new relations were shown to be important drivers of effectual networking. These individual characteristics may explain the use of effectual networking styles; however, future research can examine more systematically why certain entrepreneurs are much more inclined to engage in effectual networking or goal-directed networking. Besides individual differences in motivation and ability, these studies may also include differences in entrepreneurial experience. The debate about whether experienced entrepreneurs rely more heavily on effectuation (Dew et al., 2009) can be extended to the question of whether experienced entrepreneurs, such as serial entrepreneurs (Zhang, 2011), are more inclined to engage in effectual networking (Dew, 2009).

Future research can build on our insight that in highly uncertain environments (effectual), networking *is* entrepreneurial action. Future research may look at student entrepreneurs or immigrant entrepreneurs as they often perceive their environment as highly uncertain (Hulsink & Koek, 2014; Kloosterman & Rath, 2001). In these settings some entrepreneurs may engage in effectual networking, for example, driven by shared passion, that make it more likely that they can harness serendipity (Dew, 2009). In this context of uncertainty the implicit assumption of fully formed opportunities needs to be relaxed (Shepherd, 2015). Potential opportunities change over time as networking interactions may lead to new resource access, which in turn allows for new ways of combining and recombining internal and external resources that facilitate further change in the development of the potential opportunity (Engel et al., 2017). In this emerging perspective in which networking activities become one of the constituent activities of entrepreneurial action (Shepherd, 2015), the specification of these activities and the development of constructs to measure them in longitudinal settings are important in capturing the way networking becomes part of the action set of entrepreneurs.

The trade-off between efficiency and resilience is an important topic for future network research. In particular, in what way does a larger set of strong network ties and hybrid networking practices lead to resilience? And is this type of networking more time consuming and therefore not efficient? These are important questions that may also con-

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tribute to the literature on entrepreneurial resilience. In particular, the relational component of entrepreneurial resilience may be strengthened (Hedner et al., 2011; Linnenluecke, 2017), thereby refocusing the dominant perspective, in which resilience was rooted in psychology. A key challenge is to develop a better understanding of the characteristics of resilient networking.

## Conclusion

The networking dynamics we identified in the cases of Alice Waters and James Dyson clearly transcend the traditional conceptualization of entrepreneurs being embedded in more or less static network structures. They regularly built on established contacts; (p. 172) sometimes they approached new contacts directly, through cold calling, or indirectly, through introductions and referrals, but they also dropped network contacts after painful and impactful events. Entrepreneurial processes rely on transient and temporary structures centered around a stable set of key connections (e.g., the students and lecturers at the design school and the private mentor for Dyson, and the extended Chez Panisse family for Waters): A select group of core contacts stays intact, whereas other network connections change over time. As such, active networking by entrepreneurs generates a mixed state of stability and flux that evolves over time. Although entrepreneurial processes can be a strategic and goal-oriented response to resource requirements, they can also be driven by individual and collective passions and chance meetings to interact. Individual differences in motivation and ability not only affect the way entrepreneurs network to explore and exploit opportunities and mobilize resources but also play a role in how entrepreneurs use their existing networks and/or mobilize new ties in dealing with and overcoming critical incidents. When it comes to “resilient networking,” aimed at bouncing back from setbacks, there is a remarkable difference between Dyson and Waters. Dyson, relying on a few contacts (his mentor and the design school) within a relatively closed and homogeneous network, was hit hard by a cascade of interlinked critical incidents, from which it took him years to recover. Waters, trusting an extensive and heterogeneous extended family, suffered to a far lesser extent from the crises in her personal and corporate life, simply because she was able to mobilize support in her own ranks of ties, as well as being helped by the collaborative efforts of friends, relatives, and strangers. This tells us that, in extreme crisis situations that require enormous resilience, having a dynamic mix of strong and weak ties, combined with an entrepreneur’s willingness and ability to approach strangers, can make the difference between success and failure.

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