
Networking: Is it vital to an entrepreneur's success?



By Jane Williams

Can sharing an idea help take it from the drawing board to the marketplace? Talk may cost nothing but new research indicates it gives an entrepreneur a better chance of success.

It may not be necessary to have the charisma of Bill Gates or the late Steve Jobs to sell a new idea successfully but even getting your product to the first stage of development can take a certain degree of fraternising. The need for 'networking' among entrepreneurs was recently noted by a group of prominent Arab businessmen who obtained the support of vivacious, U.S. venture capitalist and deal-maker Bill Glynn, to launch an exclusive, members-only networking club supporting corporate entrepreneurship and innovation in the Middle East. 'The Firm' is hand-picking its membership of corporate 'intrapreneurs' – those working within organisations - business development experts and potential investors, to create a platform on which new ideas can connect with capital and know-how.

While membership at The Firm may be out of the league of most independent, small innovators, some sort of networking is vital to getting a good idea off the ground. No matter how recently-formed an idea, the sooner

you start talking about it the better chance it has of success, says Stephen Mezas, INSEAD professor of entrepreneurship and family enterprise whose recent research, 'Audiences, Firms and Networks: A Simulation Study of the Emergence of New Industries' looked at the very early stage of product development. Establishing network ties is as important as finding resources or giving your product a recognised identity, Mezas says, noting the right ties can help bring in the money and legitimacy.

Surviving the early years

"The vast majority of firms die very quickly before they even employ another person, that's a fact I don't think can be changed," Mezas told Knowledge. "But I think we can work on the margins to try and make sure that those firms that do make the first stage can be more successful. Our interest was to look at the very early stages of development, at what things made a difference to the firm's survival rate, and our findings were that networking connections were absolutely crucial."

As there is little, if no, data on firms so new they haven't even been noticed by industry-watchers, the study used a simulation model to collate information from real data and show the implications of various scenarios. It looked at what happens when rival firms network with one another and exchange information about how they should organise themselves and present their product to attract legitimacy with both potential customers and investors. It also looked at what happens when stakeholders network with each other and when firms and stakeholders network together.

"In essence we find the existence of ties of all those types increase the survival rate and increase the growth rate of the new industry," Mezas says.

Government's role

Government and policy makers can help entrepreneurs – and promote new industries – by providing platforms to enable networking to take place. In the Middle East's Gulf region, where governments are working hard to encourage new industries and diversify their economies away from resource-based sectors, billions of dollars are being spent creating hubs where entrepreneurs in specifically-identified industries can set up surrounded by like-minded firms.

“Clearly putting people in the same place is one way to make sure those network ties happen,” Mezias says. “But this is not always possible and I think we also want to reflect about what kinds of ties might be necessary to encourage the communication that our studies suggest are necessary. For example, how do we facilitate the exchange of very specialised knowledge?”

Silicon Valley

Ties between firms and universities are another very important link, he says, noting the contribution Stanford University made to creating the Silicon Valley.

“I don’t think Silicon Valley was a success simply because a bunch of people in high-tech industries were close to one another. ... It came about because of many factors including the growth of the Stanford engineering schools and the role of specific people who really proselytised knowledge and new industry creation. I think putting people together, giving them a platform where they can exchange information, and easing access to government policy-makers who can facilitate help when they need it is important,” he says.

This could be through conferences, exchange programmes, special events and on-line collaborations.

While the internet has made it easier for entrepreneurs in new industries to swap ideas and get information on-line, even this is limited. “When it comes to very specific information in these very new areas, it’s not always available,” Mezias says. “When you want to know obscure but important facts, particularly when they are tacit, such as what kind of setting to use with a specific material on a certain machine, face-to-face interaction becomes absolutely critical.”

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