



Development and Learning in Organizations

Friends and strangers: leveraging the power of networks for new venture success

Swati Panda Shridhar Kumar Dash

Article information:

To cite this document:

Swati Panda Shridhar Kumar Dash , (2015), "Friends and strangers: leveraging the power of networks for new venture success", Development and Learning in Organizations, Vol. 29 Iss 2 pp. 6 - 9

Permanent link to this document:

<http://dx.doi.org/10.1108/DLO-05-2014-0033>

Downloaded on: 07 November 2016, At: 20:00 (PT)

References: this document contains references to 6 other documents.

To copy this document: permissions@emeraldinsight.com

The fulltext of this document has been downloaded 198 times since 2015*

Users who downloaded this article also downloaded:

(2015), "Innovative organizational learning technologies: organizational learning's Rosetta Stone", Development and Learning in Organizations: An International Journal, Vol. 29 Iss 2 pp. 3-5 <http://dx.doi.org/10.1108/DLO-07-2014-0048>

(2015), "Participative organizational change and adaptation: insights from a qualitative case study of successful change", Development and Learning in Organizations: An International Journal, Vol. 29 Iss 2 pp. 10-13 <http://dx.doi.org/10.1108/DLO-03-2014-0015>

Access to this document was granted through an Emerald subscription provided by emerald-srm:563821 []

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.

Friends and strangers: leveraging the power of networks for new venture success

Swati Panda and Shridhar Kumar Dash



Swati Panda is a faculty member based at the Department of Economics and Strategy, Institute of Management Technology, Hyderabad, India. Shridhar Kumar Dash is based at the Department of Accounting and Finance, Xavier Institute of Management, Bhubaneswar, India.

Three out of four startups fail. One of the major reasons for their failure is the liability of newness of new ventures (Stinchcombe, 1965; Bruderl and Schussler, 1990). Startups have to face numerous challenges during their initial years of existence: new and varied roles to be played by the employees, lack of reputation and trust in the market, lack of a steady set of suppliers and customers and a lack of resources.

One of the ways through which entrepreneurs can address this challenge is by leveraging their networks to generate social capital. An entrepreneur's networks comprise, what are known as, strong ties and weak ties. Strong ties are the ones with whom the entrepreneur is emotionally attached to, e.g. family members and friends (Elfring and Hulsink, 2007). Weak ties are the ones with whom the entrepreneur has some connection, but has infrequent or irregular contact (Elfring and Hulsink, 2007). While strong ties help in resource mobilization, reducing uncertainty and promote learning, weak ties help in accessing new opportunities, novel information and accessing new business contacts. Both strong ties and weak ties have important but different roles to play in promoting a venture's success (Bhagavatula *et al.*, 2010; Elfring and Hulsink, 2007).

Frequently, entrepreneurs underestimate the importance of their networks. However, a conscious approach to mining one's network may be the ultimate deciding factor between the success and failure of a newly minted venture. The network ties are characterized by a varied degree of trust among related members, which in turn, invokes a sense of reciprocal obligation among them to assist each other in terms of access to information, opportunities, resources, etc. (Tsai and Ghoshal, 1998). The power of the ties is such that they aggregate over time, with weak ties sometimes graduating into strong ties, eventually being characterized by a deep sense of confidence and trust. The initial "calculative" relationships evolve into friendly ties, drastically reducing transaction and monitoring costs, thereby increasing the viability of the venture.

In the following paragraphs, we demonstrate the power of friends and strangers through the case of an Indian startup, which has managed to flourish in the face of some tough resource constraints. We used a case research methodology to collect data by interviewing the founder and some volunteers working with the venture. We conducted about six semi-structured interviews, which were later transcribed and analyzed by coding them into themes and broad categories. The participants were pretty open and forthcoming with their responses, but the findings suffer from the limitations that they cannot be generalized to other contexts. The venture will be named as Banyan Ventures for the purpose of the article and its founder is Morgan (fictitious names), as the founder insisted on anonymity owing to his reclusive nature.

The case of Banyan Ventures

Banyan Ventures is a nonprofit social venture which was founded in 2007 and is based in Bhubaneswar, one of the most culturally rich cities of India. The venture works with the vision of channeling the talent and passion of volunteers to bring about positive changes in the society. Prior to starting the venture, Morgan started an online “pledge” campaign so that he could motivate people around the world to donate a book to start a library. Initially, the momentum was slow, but it gradually picked up, and Morgan officially registered the venture in April 2007, when about 1,000 people promised to contribute.

This library, acted as a crucial meeting place for the culturally starved population of the state. Initially, Morgan shied away from any marketing strategies and concentrated on organizing interesting community development events (e.g. organizing art exhibitions, film festivals, tree plantation drives, etc) to develop a sense of civic duty among individuals. He would just send out a mailing list consisting of a few of his friends and well-wishers, informing them about the program agenda. Right from the first event, people would turn up in large numbers to participate and witness the events: individuals who had never known either Banyan or Morgan. But everyone felt welcome, as they were promptly offered a volunteer role so that they could get involved. Even when there was no such event in the cards, people would turn up voluntarily at the library and offer help according to their interests and abilities, and would generally find an avenue to channel their interests:

We wanted to offer a platform where people from all strata of society would get an opportunity to productively utilize their creative energy for bringing about positive changes in the society. – Morgan

During its initial years, Banyan attracted the interest of individuals working in diverse fields such as the government, corporates and nonprofits around the world. Although they did get some publicity through media coverage, the majority of the attention was due to the goodwill created by word of mouth:

I might have introduced Banyan to about 15-20 people and many of them are still here, doing good work. – a volunteer

The majority of volunteers attributed this goodwill to Banyan’s unique and innovative approach in organizing their events. For example, instead of the usual painting competitions that happened for children’s day events, Banyan adopted a whole patch of washed out wall and engaged more than 50 volunteers to paint it. Banyan tied up with a hospital and persuaded them to give away a tree as a gift to new mothers. Such activities generated a lot of interest and gave Banyan a lot of visibility in the media and social networking sites. In fact, various departments of the state Government, after hearing about Banyan from friends, family or colleagues, voluntarily came forward and tied up with Banyan to organize state-wide events for environment protection, uplifting of backward classes, women and child development, etc:

Our tie ups are based on mutual trust and respect. We offer them an opportunity to reach out to a larger population and have a higher impact. They offer us the idea and the means to execute it. – a government official

Today, Banyan has tie ups with international organizations, such as UNICEF (United Nations’ International Children’s Emergency Fund), UNDP (United Nations’ Development Program), Red Cross, Airtel, AXIS Bank, etc. Its library, which started with 1,500 books, now boasts about 20,000 volumes, comprising some very interesting and rare collections. Its activity in terms of organizing various events has almost quadrupled since it started. Every evening, people from diverse backgrounds and age meet in the library to read and engage in some interesting conversation. All this has been achieved with the founder as the only permanent employee and about 150 regular volunteers, who receive no monetary incentives.

Morgan ruminates, "We are not an organization which is trying to achieve something tangible. We are trying to bring about a cultural change by invoking a sense of ownership and civic sense among the citizens".

Importance of networks

The aforementioned case is a good example to demonstrate the role of networks to help a new venture identify opportunities, acquire resources and gain legitimacy to overcome the liability of newness. Morgan identified the opportunity for a new venture by talking to his close friends, mentors and others, who he met through various references. He, therefore, relied on both strong ties and weak ties initially to identify and explore the opportunity. Initially, he relied on his weak ties, i.e. acquaintances, friends of friends and sometimes complete strangers to gather resources needed for the venture. The online pledge campaign is a good example, where complete strangers from all over the world contributed to the library. With time, as the number of people associated with the venture increased, they brought in many important ties. Such weak ties (e.g. ties with Government) gradually evolved into strong ones, as Banyan frequently engaged with them to leverage their resources, kept innovating and consistently delivered more in terms of performance. Good relationship with well-known institutions enhanced the legitimacy of the venture, which was instrumental in increasing its reputation and trust among new alliances.

One important factor that acted as a catalyst for these relationships was the venture's commitment to innovation and competence. It was initially able to garner interest because it was able to identify and capture an important opportunity, which it addressed with a good degree of innovation and creativity. It nurtured its model by selectively involving volunteers who were serious about pursuing their passion and had a reasonable amount of talent and competence in the area. It strengthened its relationships with its ties by delivering more than the promised value. The design of the venture is such that it has extremely low costs, where all the resources are mobilized and the events are executed by the contribution and involvement of volunteers and alliances.

The aforementioned case is an extreme example of a venture whose business model is heavily dependent on the power of networks. The venture's success, to an extent, can also be attributed toward collectivistic traits peculiar to the Indian society. Banyan addressed the lack of a community space by developing the library where people can congregate and share their thoughts and ideas, and the volunteers are attracted to Banyan because it offers them a unique platform to contribute toward this collectivist culture.

In conclusion

Entrepreneurs are generally concerned about constraints due to access to capital, infrastructural constraints, constraints due to external economic conditions, etc. The constraints are legitimate, and a good way to address them is to proactively work toward enhancing one's social capital by intelligently leveraging one's networks. The role of networks is not confined to just social ventures or collectivist societies like India. Networks are a source of competitive advantage across all forms of venture worldwide. For example, network ties are instrumental in reducing adverse selection problems by gaining access to information so that ventures can take informed decisions, thereby enhancing their probability of success (Shane and Cable, 2002). Entrepreneurs should not make the mistake of leaving relationships to chance but should continuously nurture them to increase the value of their ventures.

References

Bhagavatula, S., Elfring, T., van Tilburg, A. and van de Bunt, G.G. (2010), "How social and human capital influence opportunity recognition and resource mobilization in India's handloom industry", *Journal of Business Venturing*, Vol. 25 No. 3, pp. 245-260.

Keywords:
 Entrepreneurship,
 Networks,
 Strong ties,
 Weak ties

Bruderl, J. and Schussler, R. (1990), "Organizational mortality: the liabilities of newness and adolescence", *Administrative Science Quarterly*, Vol. 35 No. 3, pp. 530-537.

Elfring, T. and Hulsink, W. (2007), "Networking by entrepreneurs: patterns of tie formation in emerging organizations", *Organization Studies*, Vol. 28 No. 12, pp. 1849-1872.

Shane, S. and Cable, T. (2002), "Network ties, reputation and the financing of new ventures", *Management Science*, Vol. 48 No. 3, pp. 364-381.

Stinchcombe, A.L. (1965), "Social structure and organisations", in March, J.G. (Ed.), *Handbook of Organizations*, Rand McNally and Company, Chicago, IL.

Tsai, W. and Ghoshal, S. (1998), "Social capital and value creation: the role of intrafirm networks", *The Academy of Management Journal*, Vol. 41 No. 4, pp. 464-476.

About the authors

Ms Swati Panda is a faculty at the Institute of Management Technology, Hyderabad, India, in the Department of Economics and Strategy. Swati Panda is the corresponding author and can be contacted at: swatiepanda@gmail.com

Dr Shridhar Dash is a Professor in Finance at the Xavier Institute of Management (India). Before joining academia, he held various leadership positions in Reliance Retail, Citigroup, American Express and GE Capital.

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgroupublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com