

## Chapter 2.8

# Expanding Opportunities in a Shrinking World: A Conceptual Model Explicating the Role of Social Networks and Internet-Based Virtual Environments in Social Entrepreneurship

**Avimanyu Datta**

*Washington State University, USA*

**Len Jessup**

*Washington State University, USA*

### ABSTRACT

The authors present a parsimonious theoretical model that illustrates how Internet-based virtual environments (such as social networking Web sites) moderate the relationship between social networks and social entrepreneurship. Social networks promote social entrepreneurship by means of (a) technology and knowledge transfer; (b) locating information; (c) generating entrepreneurial opportunities; (d) building entrepreneurial competency; (e) financing innovation; and (f) building effective networks for commercialization of innovations. Internet based virtual environments increase the velocity with which online social networks are formed and operationalized. They, thus, have a moderating effect in the relationship between social networks and social entrepreneur-

ship. The authors also represent three concepts that are core to social networks: density, centrality, and heterogeneity. They posit that all three explain variance in social entrepreneurship and that Internet-based virtual environments moderate each of the relationships these three elements of social networks have with social entrepreneurship.

### INTRODUCTION

Social entrepreneurship (SE) has contributed to a worldwide transformation by enabling people to explore opportunities at distant locations, transform their energies into worldwide movement, and launch new organizations serving a multitude of social needs, thereby improving the quality of life and enhancing human development around the globe (Elkington & Hartigan, 2008;

Lasprogata & Cotton, 2003; Leadbeater, 1997; Martin & Osberg, 2007; Zahra, 2005). Key to the success of SE is social networking (SN). These networks provide ways for individual companies and entities to gather information, deter competition, and even collude in setting prices or policies (Burt, 1992). Barney (1991), building on Wilkins work (1989), reasoned that while several firms may possess the same technology, the one that possesses relevant social relations, culture, and traditions, is best positioned to fully exploit and implement the technology successfully. Ways in which social networks create opportunities for SE are (a) enabling technology and knowledge transfer (Link, Siegel, & Bozeman, 2007); (b) locating information (Granovetter, 2003); (c) generating entrepreneurial opportunities (Anderson, 2008; Shane, 2008); (d) building entrepreneurial competency (Seppanen & Skaates, 2001); (e) financing innovation (Barringer & Harrison, 2000); and (f) building effective networks for commercialization of innovations (Datta, Jessup, & Reed, 2008). Central to the concept of the social network are centrality and density. Entities that are central in a network enjoy more advantage over those that are not. In a perfectly dense network (all the nodes or entities are connected), no singular entity will have a comparative advantage (Gnyawali, He, & Madhvan, 2006; Klein, Rai & Straub, 2007). With the advent of Internet-based virtual environments and their ubiquity, the velocity and predication of social networks have increased (Marshall & Brynjolfsson, 2005; Wellman, Haase, Witte & Hampton, 2001). While the Internet has shrunk the world by breaking global boundaries, social networking sites like [www.linkedin.com](http://www.linkedin.com), [www.facebook.com](http://www.facebook.com), and [www.myspace.com](http://www.myspace.com), will continue to positively enable entities to form social networks, and to create SE platforms such as [www.kiva.org](http://www.kiva.org). Indeed, one might argue that SE manifestations such as the [kiva.org](http://www.kiva.org) are not possible without the Internet. The relation between social networking and social entrepreneurship has received relatively lukewarm treatment in

the literature while the impact that Internet based social networking has on social entrepreneurship is ignored for the most part by the Information Systems Research community.

In the next section we explain our theoretical model, explain our dependent and independent variables (i.e, SE and SN) and show how Internet based virtual worlds moderate the relationship. To bring specificity to our model we then introduce three core concepts related to network literature: density, centrality and heterogeneity. We explain how each of these affect SE and how Internet based virtual networks moderate the relationship. We end the article by discussing contributions and weaknesses and directions for future research. Our theoretical model is shown below (Figure 1) to ease assimilation of the discussion. We also include a table of definitions of our constructs (Table 1).

## **THEORETICAL MODEL**

### **Social Entrepreneurship**

Others have highlighted the process of recognition of a social problem and using entrepreneurial principles to organize, create and manage a venture to solve the problem (Bhide, 2000; Zahra, 2005; Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). Bhide (2000) identified how SE both within new and established organizations creates wealth and jobs, fosters economic and technological growth, and causes social transformation. This transformation is made possible when ordinary people conceive innovative ideas, organize production, take risks, and engage customers to accumulate wealth or address pressing social causes, often across national borders (Zahra et al., 2008). Entrepreneurship can also draw people to explore opportunities in distant locations, transforming their energies into worldwide movements to improve social conditions and enhance the quality of human existence (Zahra 2005, Zahra et Al., 2008; Zahra & George, 2002; Zahra, Ireland,

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