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- ▶ Understanding effective leadership development

By Hannes Leroy and Verena Ohms

- ▶ Disruptive start-ups: do they attract more funding?

By Timo van Balen, Murat Tarakci and Ashish Sood

- ▶ How companies can implement the SDGs

By Rob van Tulder

- ▶ Entrepreneurial networking: from uncertainty to opportunity

Chris Murray talks with Mariëtte Kaandorp

- ▶ Navigating alliances with bigger partners

By René Bakker

- ▶ Do we really understand the numbers we receive?

By Christophe Lembregts



Entrepreneurial networking: from uncertainty to opportunity

Chris Murray talks with **Mariëtte Kaandorp**

Entrepreneurs who network to potential partners and contributors are often seen as “heroic captains” navigating with deliberate focus toward networking targets or ties who can help them achieve their goals. However, this goal-driven perspective of networking by entrepreneurs is based on assumptions of certainty that are unrealistic in the world of entrepreneurship, believes RSM assistant professor, Mariëtte Kaandorp.

In a recent *Journal of Business Venturing* article, written by Dr Kaandorp with Yuval Engel of the University of Amsterdam, and former RSM professor Tom Elfring (now at the University of Liverpool), the authors ask: ‘How can entrepreneurs strategically network when the future is unpredictable? How can they intentionally target ties when their own goals are underspecified and their preferences unordered? And how can they plan tie formation when every networking action alters information on which such plans are based?’

Dr Kaandorp and her co-authors argue that this large presence of uncertainty in entrepreneurship suggests that entrepreneurial networking should be based on the theory of *effectuation*, a psychological term describing how people behave or take actions in uncertain conditions.

In this interview with *RSM Discovery* magazine, Dr Kaandorp describes why an effectuation-based model of entrepreneurial network addresses the uncertainty inherent in entrepreneurship and offers a path to new opportunities for entrepreneurs – and new opportunities for managers and companies beyond the world of entrepreneurship.

Creating outcomes

Networking guided by effectuation, Dr Kaandorp explains, is the opposite of goal-driven networking. With traditional ideas on networking, a person will have a precise goal and will seek out the precise information needed to achieve that goal. With effectual networking, she says, the entrepreneur recognises that future outcomes are uncertain; the only way to ultimately achieve any outcomes, and the goals and ideas that lead to those

outcomes, is to *create* them through the process of networking. ‘Through interactions with others, means, ideas and outcomes are moulded or shaped by the process of interacting,’ she says.

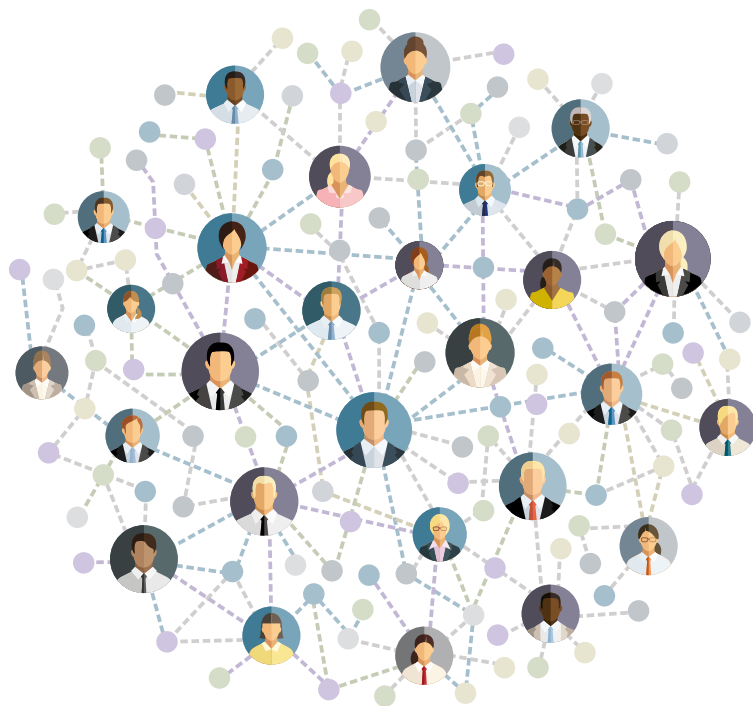
This creation approach of entrepreneurial networking requires a new mindset, Dr Kaandorp says. First, entrepreneurial networkers must be prepared to ‘embrace the unexpected,’ she says – for it is often from the unexpected that new ideas and goals emerge. ‘Entrepreneurs operating under uncertainty, and with regards to networking in particular, need to be open to unexpected opportunities or unexpected outcomes, and see them as opportunities, not as threats,’ she says.

An open-to-the-unexpected mindset, Dr Kaandorp notes, allows serendipity to play a role. ‘Networking is a way to fuel serendipity,’ she explains. Networking involves ‘taking action into a certain area, working on the idea, being busy, and having some awareness of what’s going on and what outcomes are emerging – all of this will help to crystallize the idea. So serendipitous outcomes are also outcomes of the process of entrepreneurial networking.’

Intelligent altruism

The entrepreneurial networking mindset also includes different motivations behind the networking efforts. Entrepreneurial networkers, she explains, approach their network with altruistic motives – that is, having the desire to help others as much as the desire to be helped. ‘If you’re uncertain about the future, if you don’t know when someone new will be valuable for your

“Entrepreneurs... need to be open to unexpected opportunities or unexpected outcomes, and see them as opportunities...”



end goal or not, it is better to behave altruistically. Because if you falsely interpret this interaction as a one-shot interaction and it turns out you meet this person later on, then it's better to be assistive.'

In other words, she says, 'Under uncertainty entrepreneurs should act under the general assumption that if I do something for you, maybe somewhere down the road I will also get something in return from you or from someone else. It's like planting seeds.'

Of course, there are limits to what an entrepreneur can or should give to others, which is why the authors call for "intelligent" altruism. 'We call it "intelligent" altruism because it's not just blanket driven,' says Dr Kaandorp. 'It's really giving what an entrepreneur can afford to give; just time, for example, or maybe some money – whatever different constraints he or she has will put boundaries on this notion of altruism.'

Finding partners

As the entrepreneurial networking progresses, the entrepreneur will begin to garner interest and find partners who are ready to invest in the venture. Using Dr Kaandorp's term, they "self-select" themselves into the venture. 'It's up to the others to decide whether they want to "buy in" or what they are willing to commit to the venture,' she explains.

Related to the question of what to commit to the venture, one of the guiding principles of the self-selection process, Dr Kaandorp says, is the concept of "affordable loss." In the article, Dr Kaandorp and her colleagues use the example of Boeing's participation in Richard Branson's creation of the Virgin Atlantic airline. When first beginning the airline, Branson connected with Boeing and negotiated the lease of a plane for one year (Boeing thus self-selected itself into Branson's venture).

Boeing was making an investment driven by affordable loss. That is, if

Branson's airline was not successful, the manufacturer would not have lost anything by leasing the plane to Branson. The bottom line for partners self-selecting into the venture, Dr Kaandorp explains, is: 'What are they willing to invest or what can they invest while not being sure what the outcomes will be?'

Affordable loss applies to the entrepreneur as well. As Dr Kaandorp notes, leasing a plane for one year was an investment than Branson could afford to lose – if the airline was not successful, then Branson was out just one year's lease. In contrast, buying one or more planes at the beginning of the venture would have been an unaffordable loss for Branson if the venture failed.

Networking model

Within the context described above – entrepreneurs embracing uncertainty by being willing to connect with a wide network of ties who may or may not prove to be helpful, but always being alert to serendipity so that they can leverage any surprises that might occur – how exactly do entrepreneurs manage and organise their networking efforts? In their article in the *Journal of Business Venturing*, Dr Kaandorp and her colleagues lay out a specific step-by-step model for networking by entrepreneurs.

The first step is for entrepreneurs to *assess the means* that they have: whom do they know? What knowledge do they have? How could they help potential contacts?

Once this means assessment has been completed, the entrepreneur starts contacting the network relations they know (ie, *existing* network ties). ▶

"...by starting off with your means, then interacting and reflecting, you're incrementally developing into a direction that you think is vital."

Simultaneously, they contact and connect with new network ties. 'They start off with their existing ties and see if they can find common ground they haven't discovered yet,' Dr Kaandorp explains. For example, an entrepreneur might have a relationship with someone in an unrelated domain, but still presents the idea to that person. 'Maybe you will find some undiscovered overlap on the topic of entrepreneurship that you want to explore as an entrepreneur,' she says.

The next step is to reach out to new contacts. 'By first talking to the people they know, entrepreneurs might already discover some more information,' Dr Kaandorp says. 'Then we say they need to contact new others, because they don't know how and when those others will be valuable.' Given the uncertainty of who will be helpful in the short and long run, the wider the net, the better, she says.

Through these open conversations, entrepreneurs find the stakeholders who start to self-select themselves into the venture, she says. Over time, the entrepreneurs networking efforts will shape and change the portfolio of network ties ready to pre-commit to the venture, generating unexpected opportunities and, as Dr Kaandorp and her collaborators write, 'enabling the ser-

endipitous emergence of new entrepreneurial goals.'

Beyond entrepreneurship

Dr Kaandorp believes that uncertainty driven entrepreneurial networking is a powerful approach to networking with applications far beyond entrepreneurship. 'While we describe entrepreneurial networking in the context of new entrepreneurial ventures or start-ups where there's a lot of uncertainty,' she says, 'you could more generally apply it to any situation that features uncertainty.'

As Dr Kaandorp explains, 'You start off with your means, you talk to people about your intentions, people share ideas with you, you think about those ideas, and then you talk to other people. So, by starting off with your means, then interacting and reflecting, you're incrementally developing into a direction that you think is vital.'

One example could be a company's search for innovation or innovative ideas, especially innovations that have a relational component, she says. As with entrepreneurship, innovation involves uncertainty. Thus, a company would assess its knowledge and resources and then seek out information and ideas on innovation from potential partners and contributors.

Entrepreneurial networking could also be applied to job opportunities or career switches, she says: 'You have a feeling that you're not happy in your job or you have too much pressure. And you have some area that you feel is interesting, and you know a few people in that area. So you can start talking to these people. And once you have met these people, maybe new influences will emerge along the way.'

Dr Kaandorp makes another powerful argument for the wide application of entrepreneurial networking: 'It's an approach that is not very costly. As a result, you don't have to know what you're heading for. You can just start and keep it small and simple, and just see where it gets you. So, I think it's very practical.'

In a world of business in which uncertainty might be the only certainty, the outcome creation approach exemplified in entrepreneurial networking can be a powerful new tool in just about any endeavour. ■

The paper, *Toward a dynamic process model of entrepreneurial networking under uncertainty*, written by Yuval Engel, Mariëtte Kaandorp, and Tom Elfring, appears in the *Journal of Business Venturing*, Volume 32, Issue 1, January 2017, Pages 35-51. DOI: <http://dx.doi.org/10.1016/j.jbusvent.2016.10.001>

Dr Mariëtte Kaandorp is Assistant Professor, Department of Organisation and Personnel Management, Rotterdam School of Management, Erasmus University Rotterdam.

EMAIL mkaandorp@rsm.nl

