

SUMMARY

AN ALTER'S PERSPECTIVE ON ENTREPRENEURS' NETWORKING STRATEGY: EXAMINING THE IMPACT OF ALTERS' STATUS ON ACQUISITION OUTCOME

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Principal Topic

Prior studies focus on how entrepreneurs' networking approaches impact entrepreneurial outcomes but rarely explored the role of contacts in facilitating that process. This study investigates the role of contacts in influencing the likelihood of new ventures to be acquired. Drawing on middle-status conformity theory, we posit that since middle-status managers are more risk averse than high- or low-status managers, their tendency to facilitate acquiring new ventures will be lower, given the liability of new ventures. Thus, the status of contacts in potential acquiring companies will have a U-shaped effect on the probability of new ventures to be acquired (H1). We further hypothesize that this U-shaped effect will be more pronounced when the risk of status loss is higher, as reflected in lower *venture exposure age* (H2), and will be more attenuated when industries encourage risk taking, as reflected in higher *acquirer venture engagement* (H3).

Method

Based on Vissa (2012)'s method of name-card exchanging, we compiled a unique longitudinal dataset of name-card exchanges between entrepreneurs and contacts from acquirers and obtained 19,507 dyads during 2010-2019, among which 104 ventures were acquired. Contact status is measured by organizational hierarchy level. Venture exposure age is measured by average age of ventures approaching acquirers in an industry. Acquirer venture engagement is measured by average number of name-cards that acquirers send out in an industry.

Results and Implications

Our logit regression results show a U-shaped effect between contact status and acquisition likelihood, supporting H1. Further, this U-shaped effect is flattened by venture exposure age or acquirer venture engagement, supporting H2 and H3, respectively.

We contribute to entrepreneurial networking research by extending the focus to the role of contacts and revealing how contact status influences business alliances between ventures and acquirers. Second, unlike prior studies testing middle-status conformity theory at organizational level (e.g., inter-organizational status within an industry) or individual level (i.e., intra-organizational status of actors), we take a cross-level perspective and investigate how intra-organizational status influences inter-organizational outcomes. Finally, this study provides practical implications for entrepreneurs about "whom" to approach to achieve acquisition success.

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