

1 Chapter 13

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4 **What Does Make One Social Network**  
5 **Entrepreneurial? Evidences and Comments**  
6 **on the “Network” Business Creation\***

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17 **1. Introduction**

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20 In the present years the worldwide “entrepreneurial”<sup>1</sup> outlook is changing deeply. New  
21 national economies, so far poor and underdeveloped, are quickly rising and conquering  
22 worldwide markets. New industrial clusters quickly rose all around the world (e.g.  
23 Saxenian, 2001; Schiavone, 2005), whereas other regions (as European countries) were  
24 much slower to change, and dramatically fell into deep industrial crises and entrepreneur-  
25 ial dispersions (e.g. Varaldo, 2004; Quadro Curzio & Fortis, 2003). The main problem for  
26 these latter regions is that current and potential entrepreneurs are not interested in invest-  
27 ing there. The main reason for this convergence of investments towards new industrial  
28 poles far from Europe is the minimal labour costs in emerging countries such as India and  
29 China (Calvelli et al., 2004). Given this crucial difference that explains most of these new  
30 entrepreneurial trends, evidence suggests that the common point between these “declin-  
31 ing” and “emerging” regions is adopting of the same model of organisation of the entre-  
32 preneurial processes: the network paradigm.

33 The knowledge and validity of such a model are not new at all. Both theory and prac-  
34 tice of entrepreneurship, in fact, gave more relevance to networks in order to support the  
35 rise and start-up of new companies within one geographical area (Birley, 1985; Foss, 1993;  
36 Johannisson, 1996).

37 In general, social networks are defined in a generic way by a set of nodes or actors (indi-  
38 viduals or organisations) connected by a set of social relationships or ties of a specified type  
39 (Brass, 1992). Social networks indeed enable the exchange of information and resources  
40 between actors of one social system. Networks and their ties, therefore, are crucial medium

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1 of communication for entrepreneurs, and are usually very valuable if their companies have  
2 local scope.

3 The linkage between social networks and processes of business creation is clear in the  
4 worldwide business environment. For instance, small local firms engaged in the interna-  
5 tionalisation processes often find support and knowledge within their social networks that  
6 may help them to implement their strategies via their formal and/or informal contacts and  
7 relational ties.

8 Within such a competitive environment, “declining” regions need to find some basic  
9 principles in order to improve their entrepreneurial practices by encouraging, for instance,  
10 local individuals in launching new firms (Schiavone, 2006a). The purpose of this concep-  
11 tual study, therefore, is to clarify what conditions allow the rise and the well working of  
12 the entrepreneurial processes (in particular, the business creation) within one social net-  
13 work. Thus, the main question is: what makes the entrepreneurial process within one social  
14 network?

15 To answer this question, this study proposes a theoretical framework the “4S” model,  
16 which can be used to analyse multiple points of view of individual and relational behav-  
17 iours of actors in one social system (Groen, 2004). Starting from this background, it is  
18 proposed that human capital and social capital are the main elements enabling the creation  
19 of new businesses in one network and that both of them depend on the (internal and exter-  
20 nal) divisions of labour implemented by existing network companies. This principle of  
21 economic studies enhances the former when applied within the firm (by increasing its  
22 internal specialisation); it is also crucial when it is applied outside corporate boundaries  
23 since it supports the external relations of the firm (its social networking) and provides  
24 access and “nourishment” to its social capital. The main assumption here is that these two  
25 intangible resources affect the entrepreneurial activities within networks much more than  
26 material assets (the machines or the plants) since they provide the background and  
27 unavoidable conditions facilitating the working of the latter ones. In other words, they are  
28 the “invisible hands” of entrepreneurship within one social network.

29 Thus the main outcome of this study is a conceptual proposal showing that the division  
30 of labour stimulates the rise of human capital and social capital, which are the critical  
31 levers for the creation of new businesses within these reticular business environments. The  
32 descriptions of the “industrial district model” and its Italian variant (Piore & Sabel, 1984;  
33 Becattini, 1991; Garofali, 1991; Brusco & Paba, 1997) give support to the assumptions of  
34 this proposal. The original contribution of this work within managerial studies is that it  
35 assumes that the “economic” principle of division of labour, which is a typical organisa-  
36 tional mechanism of industrial districts, is a keyfactor in making one social network  
37 widely “entrepreneurial”.

38 The study is organised as follows: firstly, we present a review of the “state of the art”  
39 about the business creation process in networks and the “4S” model. Secondly, the  
40 proposition of this study and its three key concepts (division of labour, human capital  
41 and social capital) will be presented. Thirdly, it outlines the conceptual proposal in order  
42 to “re-interpret” a classical example of entrepreneurial social network, which is the so-  
43 called “Industrial District Model” (two district cases are described in brief). In the last  
44 section, conclusions and further needs for research on entrepreneurship in networks are  
45 drawn.

## 2. The Business Creation Phenomenon: A Network Perspective

The “network perspective” in entrepreneurship has been widely researched (e.g. Aldrich & Zimmer, 1986). Within such a field of studies, the social network approach pays particular attention to relationships between entrepreneurs and other actors of their social system. The management literature provides the following three “points of view” to help understand entrepreneurial processes in networks (Hoang & Antoncic, 2003):

1. The contents exchanged between network actors. This refers to the access to intangible resources of social networks (such as business information, advice, problem solving, emotional support and so on). Indeed, entrepreneurs often depend on social network advice, information and resources in order to take advantage of opportunities for launching new businesses (Birley, 1985; Greve & Salaff, 2003).
2. The governance mechanisms driving network relationships. For instance, mutual trust between network actors plays a key role in order to improve the resource flow’s quality. This mutual trust can reduce transaction costs of the exchange, taking place between network actors. Trust furthermore influences the depth and richness of these relations by providing more reliable information.
3. The network structure that these relationships create. There are various measures that can be used to analyse a network structure; for instance, the amount of resources required by an actor (entrepreneur) depends on the size and centrality of one network. Other types of measurements include the diversity of resources of one network in order to understand its entrepreneurial phenomenon.

These considerations emphasise the relevance for individuals that are willing to launch a new firm in addition to being involved in social relations to support them. For example, social networks in the Silicon Valley support the movement of the labour force, the evolution of influence and power, and the production of innovation. There are firms that can adapt easily and quickly to market mutations via the “reshuffling of organisational and institutional boundaries and members” (Castilla et al., 2000). Furthermore, in considering the labour market in this high-tech industrial cluster, it can be stressed that, “the result of this unique culture and vast network of weak ties is that engineers in the Valley move frequently from one project or company to another. High mobility reinforces the dense networks, strengthening their role as channels through which technical and market information, as well as other intangibles, organisational culture and trust for example, are diffused and shared among firms” (Saxenian, 1994).

Networks are thus one key dimension for potential entrepreneurs since they can greatly influence the final outcome of an entrepreneurial project. In this way, the theory of “structural holes” suggests that successful entrepreneurs are those individuals in one social system that can occupy an intermediary position between two actors, who cannot directly reach each other (Burt, 1992). For instance, this mechanism works widely in the activity of building intermediation, in which supply (who wants to sell a house) and demand (who wants to buy a house) can be “linked” by one intermediation agency (which, therefore, holds a “structural hole” position). If an individual then occupies a structural hole within one network, it will be very convenient for him to launch a new venture within that network.

1 A social system can be defined as

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 3 *...a plurality of individual actors interacting with each other in a situation,*  
 4 *which has at least a physical or environmental aspect, actors who are moti-*  
 5 *vated in terms of a tendency to the “ optimization of gratification” and*  
 6 *whose relation to their situations, including each other, is defined and*  
 7 *mediated in terms of culturally structured and shared symbols.*

8 (Parsons, 1964,pp. 56).

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 10 Taking this definition, Groen (2004) states that there are four background mechanisms  
 11 that can ensure the correct working of a social system: interaction between actors, striving  
 12 for goal attainment, optimisation of processes, and maintaining patterns of culturally struc-  
 13 tured and shared symbols. Each of these mechanisms produces its own type of processes,  
 14 each of these processes produces its own type of capital, and each of these capitals has spe-  
 15 cific methods of intervention. Therefore, in our view, four dimensions (and capitals as well)  
 16 are relevant for analysing the entrepreneurial dynamics of a social system (Groen, 2004):

- 17 1. *Scope* (strategic capital): Goal orientation is reflected in entrepreneurial strategies  
 18 aimed at creating certain possibilities and exploiting them successfully. The strategic  
 19 capital of the entrepreneur allows its firm to exploit its personal resources (power,  
 20 authority, influence) for developing entrepreneurial activities.

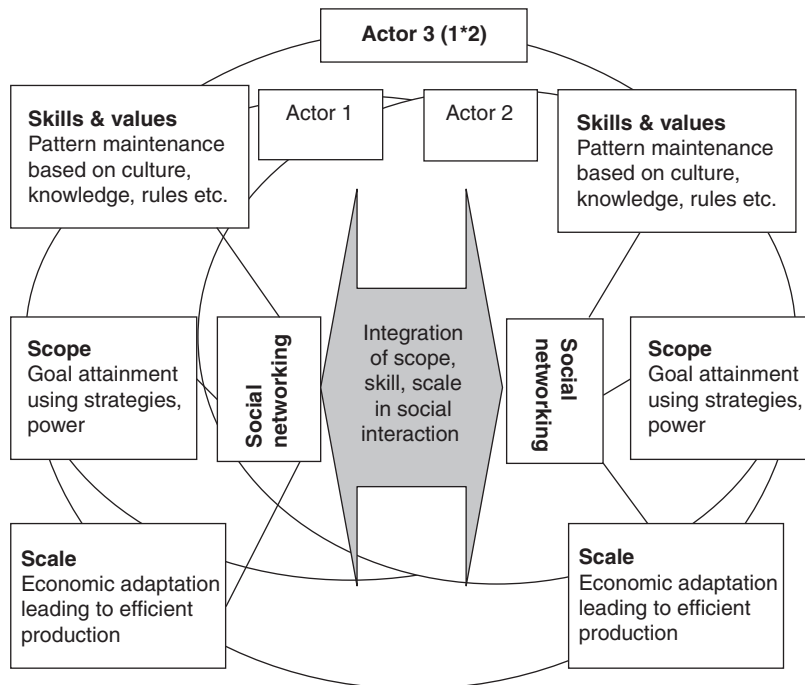


Figure 1: Two-actor Network Model of Actors in a Social System Perspective (Source: **AQ5** Adaptation from Groen, 2004).

- 1 2. *Scale* (Economic Capital): The tendency to optimize gratification refers to the eco-  
2 nomic concept of efficiency. It refers to the financial resources of the company and it  
3 depends on the size of the company.
- 4 3. *Skills and Values* (Cultural/Human Capital): Interaction in socially structured networks  
5 is mediated in a culturally structured and (at least partly) shared system of symbols.  
6 Efficient skills and values of an entrepreneur allow its company to culturally optimise  
7 these interactions and its internal human capital, that may positively affect the entre-  
8 preneurial capabilities of the entire firm.
- 9 4. *Social Networking* (Social Capital): All these processes take place in networks of inter-  
10 action integrating various types of social actors (e.g. entrepreneur and suppliers, cos-  
11 tumers, consultants and so on). All the resources and competitive advantages, that may  
12 help increase the value of an entrepreneurial process, depend on the social capital of  
13 these networks.

14 These four dimensions compose the so-called “4S Model” (see Figure 1), which is the  
15 theoretical model this study<sup>2</sup> has proposed (Groen & Rip, 2001; Groen, 2004). This innova-  
16 tive perspective is greatly valuable in order to understand entrepreneurial dynamics (and not  
17 only these) in one social system. What is absent is the identification of a basic principle that  
18 is able to improve quality and the amount of entrepreneurial actions. There is evidence from  
19 industrial networks to suggest that the so-called “division of labour” principle makes easier  
20 the creation of new businesses in those regions (e.g., Bresnahan et al., 2001; Torrissi, 2002).

### 23 3. A “Dividing” Proposal for Business Creation in Networks

24 The division of labour is a method of working, described by Adam Smith (1776) in “*An*  
25 *Inquiry into the Nature and Causes of the Wealth of Nations*”. In brief, it is based on the  
26 split of a broad task into more subtasks, each of which is then assigned to one different  
27 worker, who specialises in carrying out that activity. A specialised worker, therefore,  
28 achieves better performances than a generic one within one firm since he acquires a deep  
29 knowledge about his subtask. The presence of more specialised workers allows the entire  
30 firm to enhance its productivity and quality standards.

31 The original view of the Smith idea, therefore, takes in account just what happens  
32 within the firm rather than the external outcomes of such a strategy. Of course, when Adam  
33 Smith wrote his book concepts such as partnerships, outsourcing or networks were “rare”  
34 and almost inconceivable. Nevertheless, in the present economy the division of labour does  
35 not work just through the internal specialisation of the workers but also in an “external  
36 modality”. Nowadays firms adopt a sort of “division of labour” when they want to develop  
37 both their core and non-core activities.

38 This “extended” principle thus provides a twofold explanation of the entrepreneurial  
39 actions of individuals and firms in one social network. On the one hand, division of labour  
40 within the firm improves dexterity of workers, who over time are more likely to leave their  
41 jobs and become new entrepreneurs thanks to this increased knowledge (Birley, 1985). On  
42 the other hand, division of labour outside the firm can enhance both the social connections  
43 in its network and generate an industrial demand externally. It can, therefore, provide  
44 critical conditions for the launch of a new business within the social network.  
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1 In our view, the main contribution of (internal and external) division of labour to entre-  
2 preneurship in one social network is that it can directly improve some of the capitals com-  
3 posing the “4S” model. In particular, human capital and social capital are the two types of  
4 capital that may be most affected by the division of labour implemented by one actor in  
5 one social network.<sup>3</sup>

6 Human capital refers to that resource composed of a set of skills which an employee  
7 acquires on the job, through training and experience, and which increases its value in the  
8 marketplace. It is clearly linked to the principle of internal division of labour; human  
9 capital theory (Becker, 1964) basically argues that when one worker has a specialised  
10 competence achieved via training and learning, he also has high quality human capital. In  
11 the entrepreneurial debate, such capital is likely to allow the best workers of one firm  
12 to exit from their original firm, in order to engage in the entrepreneurial process and to  
13 exploit it in a suitable way (Davidsson and Honig, 2003). Division of labour, therefore, is  
14 a crucial condition that can increase human capital and, consequently, the interest of firm  
15 workers to change their positions from employees to employers. For the same reason, a  
16 high level of human capital within one firm is likely to make the entire organisation more  
17 “entrepreneurial” and ready to seize new opportunities (Schiavone, 2006a).

18 The main consequence of the interactions of one actor within its social network is  
19 access to the so-called “social capital” embedded in that specific structure. This is a pro-  
20 ductive resource that is available to the network actors, which comes about as a result of  
21 changes in the relations between people and it allows such actors to exploit actions easily  
22 within the structure (Coleman, 1988; Adler & Kwon, 2000). It is a kind of public good that  
23 refers “to features of social organisation, such as network, norms and trust, that can facil-  
24 itate coordination and cooperation for mutual benefit” (Putnam, 1993).

25 Even if there is a relevant body of literature underlining some negative effects of social  
26 capital for entrepreneurship (see also Westlund & Bolton, 2003), such as intangible  
27 resources likely to be crucial for the development of an entrepreneurial process; for exam-  
28 ple, Coleman (1990) stressed the critical role played by relatives and friends when some-  
29 one wants to open a new venture. In the initial phase of these entrepreneurial actions,  
30 potential entrepreneurs usually follow the advice and suggestions of these people; in other  
31 words, they exploit the social capital emerging from their familiar networks in order to  
32 optimise their entrepreneurial processes and to obtain strategic information.

33 These two capitals are the conceptual bases of the theoretical proposal of this study. Its  
34 logic is very simple: every actor of one social network (either firms or individuals) inter-  
35 acts with similar agents of the network (either firms or individuals) that can make the start-  
36 up of a new entrepreneurial process easier, as the launch of a new firm. It occurs via two  
37 main mechanisms that come from division of labour.

38 First, the internal division of labour is a basic principle of the internal organisation of  
39 firms, even when they do not outsource their activities. For example, Henry Ford was a  
40 great believer of the internal division of labour principle, but he did not ever outsource any  
41 corporate activity. Such a strategy was the essence of the “Fordist paradigm” (Golinelli &  
42 Dezi, 1997; Romano & Rullani, 1998). In this way, the internal division of labour enabled  
43 firms to achieve critical advantages for their competitiveness (Smith in its original idea  
44 stressed worker dexterity, saving time and innovation). One of the main “entrepreneurial”  
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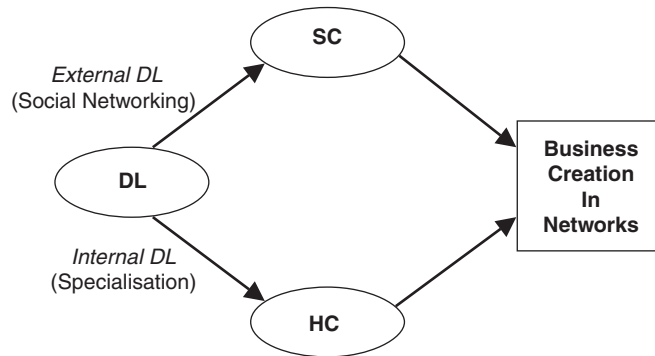


Figure 2: The “diving” model of entrepreneurship in networks (Source: Elaboration of Schiavone, 2006a).

consequences of such a strategy is that once workers have learned how to do their specific tasks, they can become potential entrepreneurs in a new firm and develop just those activities in which they have acquired a distinctive competence. Anyway internal division of labour is not enough in order to stimulate someone in implementing an entrepreneurial project.

For potential business creators (both individuals and existing organisations), a second crucial mechanism started by (external) division of labour refers to social networking. In fact, their ties greatly support them in order to develop their entrepreneurial actions. For example, within industrial districts external division of labour makes it easier to launch new ventures by generating a specific industrial demand often requiring the rise of new firms able to perform it. Other crucial advice comes from the family and friends of a potential entrepreneur; these social ties facilitate him/her to acquire crucial resources (such as information, relations, financial aid, business contacts, managerial suggestions and so on) in order to implement the entrepreneurial process.

The rising venture, therefore, seems a sort of visible product of two non-material factors. In fact, it is resultant of intangible resources working both at the individual level (human capital, achieved via internal division of labour) and network level (social capital, achieved via external division of labour). Given these assumptions, the logical process connecting these four concepts described form the theoretical proposal of this study in Figure 2.

Division of labour is, thus, likely to be the “active principle” of business creation within one stable social network. Evidence from industrial districts gives validity to this mechanism, whatever may be the type of potential entrepreneur (an individual or an existing organisation).

#### 4. The “Industrial District” Model

Alfred Marshall (1892) was the first economist to write about the industrial district model. It is “the result of the relation between various factors: social and cultural traits of

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1 a community, historical and natural features of a geographical area and some technical  
 2 features of the productive process. At the same time, an industrial district is the outcome  
 3 of a dynamic integration process among division of labour in the district and the market  
 4 enlargement of its products” (Becattini, 1991). A typical feature of these social networks  
 5 is the so-called “industrial atmosphere” (Marshall, 1892). It is not just a common inter-  
 6 est of local people for some industrial activities, but it is essentially a sort of social pub-  
 7 lic good that develops trust and a sense of community between district actors.

8 In this view, an industrial district is a clear example of a social system. Merely from an  
 9 “industrial” perspective, it is an external network of firms,<sup>4</sup> which are located within a con-  
 10 centrated territory and work in the same supply-chain via cooperative and competitive rela-  
 11 tions. Each firm usually attends to one specific phase of the production process and  
 12 interacts with the other firms placed upstream and downstream in the supply-chain  
 13 (Golinelli and Dezi, 1997).

14 The following features are widely considered as key elements of this geographical  
 15 model of industrial production (Becattini, 1991; Garofoli, 1991; Brusco & Paba, 1997):

- 16 – High firms’ specialisation in one specific industry;
- 17 – Large number of small and medium enterprises (SMEs) within that region;
- 18 – Decomposition of the productive processes in different phases of the supply-chain;
- 19 – Presence of external economies for the single firm, but internal for the local territory;
- 20 – Development of subcontracts and cooperative behaviours between district firms (which  
 21 usually is the real “engine” of the district entrepreneurship);
- 22 – Development of a productive and organisational common know-how, which is incorpo-  
 23 rated in the workers competencies and is regenerated and renewed periodically via  
 24 knowledge-exchange processes between local actors.

25  
 26 In Italy<sup>5</sup> such a model has old roots, although most of the industrial districts in this  
 27 country rose over the last 20 years. They are concentrated in northern and central regions  
 28 of Italy (about 190 clusters), in which the “mezzadria” system was widely diffused. It is  
 29 an ancient mechanism of agricultural organisation based on the agreement between one  
 30 landowner and a land worker; its peculiarity was that the income of the latter depended  
 31 directly on both the ground cultivation and final profit of the former. Other conditions  
 32 (Brusco & Paba, 1997) that encouraged the rise of industrial districts in Italy were ):

- 33 – The productive externalisation implemented by many Italian large corporations during  
 34 the 1970s that allowed and supported the birth of several small autonomous businesses  
 35 around them;
- 36 – The presence and evolution of several artisan schools specialised in various manufac-  
 37 turing industries, which provided those regions with highly professional human  
 38 resources and widespread entrepreneurial orientation.

39  
 40 Markusen (1996) argued that there are four different types of industrial districts  
 41 (Marshallian, Hub and Spoke, State-Anchored, Satellite Platform), each one featured by a  
 42 different entrepreneurial philosophy. In this study, two types are relevant (see Figure 3):

- 43 1. *The Marshallian industrial district*, which is the main kind of network in Italy. It is  
 44 based on those features already pointed out by Alfred Marshall more than one century  
 45

1 ago (external economies, strong social background developing cooperative behaviours,  
 2 industrial atmosphere, family businesses and so on);  
 3 2. *The Hub and Spokes industrial district*, which is more typical in America (e.g. the “car”  
 4 cluster of Detroit). In this case, one or more large corporations within their region play  
 5 the role of “entrepreneurial source” (called “hub”) by making easier the start-up of  
 6 several local small and medium firms (called “spokes”) that usually co-operate with the  
 7 former as suppliers or subcontractors (Schiavone & Dezi, 2004).

8 In the Marshallian district there usually is a predominance of the so-called “project  
 9 firm”, which is the result of the entrepreneurial inclination of local individuals. They invest  
 10 their time and family resources in order to develop their own family business, most of the  
 11 time after a long period of apprenticeship in similar companies (Becattini & Bellandi,  
 12 2002).

13 Internal and external division of labour play a key role in order to stimulate the busi-  
 14 ness creation in this type of networks. On the one hand, the rise of a “project firm,” in fact,  
 15 is mainly due to the industrial specialisation of local individuals, which can be acquired  
 16 via a “former” internal division of labour of their previous company. On the other hand,  
 17 external division of labour implemented by existing local firms is widely recognised by the  
 18 literature as a key element allowing the spread of social capital within these areas. Indeed,  
 19 this corporate strategy makes it easier for potential entrepreneurs (either individuals or  
 20 existing firms) to enforce and renew their district ties, thus having more access to the var-  
 21 ious social advantages and “goods” present in their industrial networks (as, for instance,  
 22 the support of colleagues or partner-firms).

23 The Italian textile district of Prato, near Florence, is a famous example of how social  
 24 capital and human capital support local entrepreneurship. It rose in the thirteenth/four-  
 25 teenth centuries and since then it has always been composed by hundreds of small local  
 26 companies managed by merchants-entrepreneurs. Over time, the deep internal division of  
 27 labour and the wide collaboration between these small artisan workshops produced a great  
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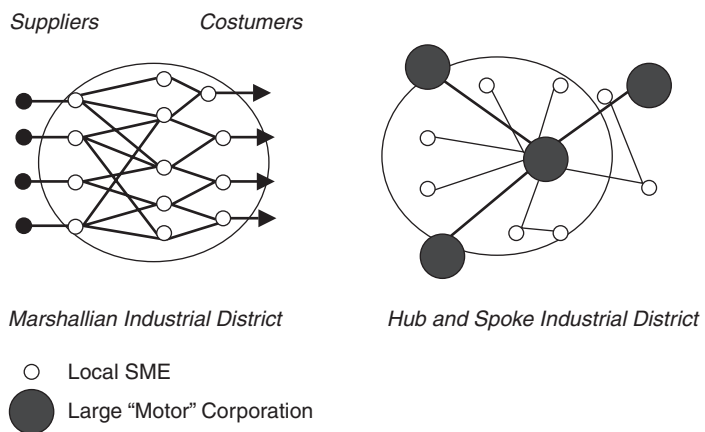


Figure 3: Main Italianate Variants of Ids (Source: Adaptation from Markusen, 1996).

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1 productive specialisation in the entire network that enhanced the entrepreneurial inclina-  
2 tion and competencies of local people towards the textile industry, by activating a sort of  
3 “virtuous circle”. The “industrial atmosphere” of the Prato district further supported new  
4 local entrepreneurs particularly by decreasing their entry barriers into the district. It  
5 offered thanks to the wide local social capital that allowed potential new business creators,  
6 for instance, to buy used machineries for their rising ventures at lower prices than their real  
7 market value (Consorzio A.A.S.T.E.R., 2001).

8 In hub and spoke districts (more marginal in Italy than the first network type), there  
9 is a predominance of the so-called “fragments firms”. These are usually the outcome  
10 of a fragmentation process implemented by one large corporation, which externalises  
11 some production phases or corporate services. Most of the time these large corpora-  
12 tions also manage the start-up phase of these new companies (Becattini & Bellandi,  
13 2002).

14 Also the rise of a “fragment firm” within hub and spoke districts is mainly due to the  
15 implementation of both internal and external division of labour by large regional corpo-  
16 rations. On the one hand, the more the large corporation externalises, the more it  
17 expands around itself an industrial culture that contributes to the rise of both an indus-  
18 trial atmosphere and a social capital in its region. On the other hand, the more the human  
19 resources of one large corporation increase their dexterity by specialisation, the more  
20 these will be “eligible” to manage one of its rising local supply-firms (Schiavone &  
21 Dezi, 2004).

22 A well-known case of such a district type is the entrepreneurial agglomerations that  
23 FIAT started in the Piedmont region (historical strategic basis of this Italian car maker) and  
24 in the Italian southern region of Basilicata, in the Melfi area. Firstly, this firm “launched”  
25 a proper industrial district in Piedmont by implementing a wide outsourcing strategy,  
26 working as a sort of “source” of entrepreneurship that widely spread industrial culture and  
27 competencies in its local population. During the 1970s, FIAT applied the same strategy in  
28 Melfi by launching a new factory (greatly encouraged also by the Italian government).  
29 Over time this company allowed the development of many local SMEs devoted to supply  
30 this “hub” with automobile components (Negrelli, 2000).

## 33 **5. Conclusions**

34  
35 These short descriptions about Italian industrial districts suggest that internal and external  
36 divisions of labour that firms implement in their social networks have a great influence on  
37 the entrepreneurial activity of the entire district. Therefore, they confirm the premise of  
38 this study and provide an answer to the question that this study attempts to address: what  
39 makes the entrepreneurial process one social network?

40 Such an empirical verification also fits within the new theoretical frameworks pro-  
41 posed in the study (the “4S” and the “dividing” models). Although the present analysis  
42 was indepth, the theorised mechanisms by which division of labour improves human and  
43 social capital of actors in one social network are confirmed and valid. Thus it can be con-  
44 cluded that these two capitals work as critical “mediating variables” for both the business  
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1 creation and other entrepreneurial processes in networks. They, therefore, be considered  
2 the “invisible hands” of entrepreneurship. In brief, two main conclusions arise out of this  
3 study:

- 4 1. Within one social network, competencies and knowledge are crucial in order to  
5 increase (or to maintain, which presently is the primary objective of several industrial  
6 clusters in Europe) competitiveness and entrepreneurial orientations.
- 7 2. Within one social network, the nourishment of wide and stable social ties supports and  
8 makes it easier for its actors to launch new entrepreneurial projects.  
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10 The main managerial and policy implications of this study, thus, refer to the poten-  
11 tial “management of entrepreneurship in social networks” that these theoretical and  
12 practical assumptions provide (Schiaivone, 2006b). By assuming the validity of these  
13 conclusions, individual managing firms or regions can adopt these guidelines in order  
14 to design new strategies and policies. For instance, district managers and policymakers  
15 can implement and improve social meetings aimed at both sharing business threats and  
16 opportunities and tutoring potential local entrepreneurs about the management of a dis-  
17 trict venture. In other words, the rise (or better the renewal) within an industrial district  
18 of an “entrepreneurial community” (more open than in the past to innovation and able  
19 to seize new business opportunities of a global economy) is likely to be a crucial cog-  
20 nitive and operational step for the survival of several European networks presently in  
21 great decline.

22 There are of course some limitations. Firstly, the type and extent of data and infor-  
23 mation on which the proposal was built in this study. Some descriptions of examples of  
24 entrepreneurial networks can be fruitful in order to suggest how business creation  
25 works, but cannot go further. Thus, future studies accepting such an idealisation of  
26 entrepreneurial process in networks will need more quantitative and qualitative primary  
27 data (e.g. see for instance Schiaivone, 2006a). Secondly, the present proposal only takes  
28 into account two crucial aspects of the business creation process and does not consider  
29 others. The theoretical “dividing” proposal assumes an “endogenous” perspective of  
30 the phenomenon (made of competencies and social ties). Although such a view is rig-  
31 orous and widely accepted, it is only partially true. Further studies build upon this  
32 model, for instance, by taking into account the scale and scope dimensions of the “4S”  
33 model.

34 Furthermore, this study suggests at least two further developments for entrepreneurship  
35 studies, each one related to various perspectives of analysis (managerial and regional).  
36 First, this paper argued that any theoretical identification of the real “background” condi-  
37 tions improving business creation within networks has to actualise its concepts and ideas  
38 to the present “reshuffling” of managerial trends. In this perspective, if necessary, any con-  
39 cept supposed to affect business creation (as in this case, division of labour), therefore,  
40 must be re-contextualised and “re-operationalised” according to the main managerial vari-  
41 ables, actual and specific, to its unit of analysis. Second, this study aimed at both enlarg-  
42 ing the “4S” model and stressing the regional dimension of entrepreneurial phenomenon.  
43 This means new research should focus on how to identify winning patterns of regional  
44 entrepreneurship via the “4S” model.  
45

## Endnotes

- 1 Entrepreneurship is commonly defined as “a context-dependent process, through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities” (Groen, 2004). It is important to specify to readers that “entrepreneurship” here refers to the phase of business creation. The study, therefore, presents a restricted version of the previous definition.
- 2 This study does not deepen the scale and scope dimensions of this model due to its nature and aim. The main premise of this study is that intangible elements of one firm (human capital and social capital) influence its entrepreneurial processes much more than other material factors (as money or financial investments). Furthermore, the scope dimension does seem not very relevant due to the typical business creation processes of district firms, which for most of the time are just small and medium enterprises devoted to supply other similar companies and, therefore, do not have to implement a real “strategy” (at least in their early phase).
- 3 Social capital must not be confused with human capital; indeed, following Coleman perspective, the latter is an individual-related resource present in the nodes of one network while social capital is that network attribute situated in the links (the relations) between individuals or organisations. While social capital is a common condition influencing all the network actors, human capital is a particular dimension of individuals.
- 4 Here it is assumed that an industrial district is a “social system” in its entirety, or better when the analysis about it includes, for instance, local banks, public and private institutions and so on. It must be considered instead just a social network when its analysis focuses solely on the connections (of whatever type) between its industrial actors. This paper obviously pays attention to the latter perspective.
- 5 In particular, networks of the so-called “Third Italy” (Bagnasco, 1977) often were identified as the best cases of Marshallian districts (see below). Although this model had the best empirical development in Italy, there are of course many other similar experiences all around the world (e.g. the famous American hi-tech industrial cluster of Silicon Valley).
- 6 This district changed for few years to this typical shape just during the World Wars, in which there were instead solely few integrated large companies.

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