

Association for Information Systems

AIS Electronic Library (AISeL)

AMCIS 2023 TREOs

TREO Papers

8-10-2023

Does Startup Company's Social Network Affect Funding

Cindy Cheng

CGU, cindy.cheng@cgu.edu

Follow this and additional works at: https://aisel.aisnet.org/treos_amcis2023

Recommended Citation

Cheng, Cindy, "Does Startup Company's Social Network Affect Funding" (2023). *AMCIS 2023 TREOs*. 75.
https://aisel.aisnet.org/treos_amcis2023/75

This material is brought to you by the TREO Papers at AIS Electronic Library (AISeL). It has been accepted for inclusion in AMCIS 2023 TREOs by an authorized administrator of AIS Electronic Library (AISeL). For more information, please contact elibrary@aisnet.org.

Does Startup Company's Social Network Affect Funding

TREO Talk Paper

Cindy Cheng

Claremont Graduate University

cindy.cheng@cgu.edu

Abstract

Researchers have assumed the idea that social networks are important for startup companies. While venture capitalists (VC) determine whether they would fund a startup company based on interest, innovation, and due diligence, empirical research has also shown that startup companies benefit positively from social network connections as the connections provide them with more information, opportunities, competitive edge, and legitimacy. Existing research shows that VCs tend to be more attracted to well-connected startup companies. A 2018 study by D. Banerji and T. Relmer tested whether startup company social networks play a part in tangible financial outcomes. By integrating data from LinkedIn and Crunchbase, they identified several variables that were positively related to the amount of funds raised by the startup companies. Nevertheless, the relationship between startup companies and actual funding has not been studied systematically. Traditionally, startup companies self-reported their own social network data. It is not until the creation of databases such as Crunchbase and other social media platforms that make large data collection possible to determine whether there are general findings that could be derived from such data set. Therefore, the goal of the proposed research is to integrate startup company data from different social media platforms to determine the combination of best predictor variables that could be used to predict the amount of fund raised.

The research will involve three steps: data collection, transformation, and analysis. Data collection involves picking a sample population of IT-related small to medium startup enterprises (SME) that have gone through funding rounds in the United States using databases such as Crunchbase. Following selection, the startup company's profile data such as connections, followers and followings will be gathered from different social media platforms to construct social network graphs and converted into variables followed by data integration into dimensional schema. Once data is transformed, predictive analytics using model selection will then be used to determine the optimal predictor variables that are related to fund actualization. As there are more evidence regarding funds raised by crowdfunding enterprises, this proposed research seeks to add to the existing knowledge about startup companies and VC backed funding. Due to the limited number of resources at their disposal, the proposed research could have significant impact on the startup companies by providing them with the guidance on how to best allocate their resources in the social media space to enhance their visibility.

Recommended References

Banerji, D., & Reimer, T. (2019). Startup founders and their LinkedIn connections: Are well-connected entrepreneurs more successful? *Computers in Human Behavior*, 90, 46–52.

Otter, Evelien; Rousseau, Ronald (2002). Social network analysis: a powerful strategy, also for the information sciences. *Journal of Information Science*. 28 (6): 441–453