

**Abstract**  
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**The Breeding-ground Hypothesis:**

Social Capital, Entrepreneurial Networks and Local Industrial Clusters: An Evolutionary View

*Themes:* Entrepreneurial Economy – Entrepreneurship, Innovation and Economic Development /  
The Entrepreneurial City / Understanding Entrepreneurship and Innovation – Theory Building

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The network success hypothesis assumes a positive relation between the networking activities of founders and their start-ups' success. A related discussion deals on how local industrial clusters support entrepreneurial success. Most of these papers understand networks as an organisational form between market and hierarchy. Instead, this paper will follow a sociological approach towards the network phenomena. It introduces an evolutionary market paradigm including a four-factor model compound out of human, financial, tangible, and social capital. The provision with as well as the development of these factors is depending not only on the entrepreneur's actions. Furthermore, there is no possibility of a total substitution of any factor. There are interdependent relationships between all four forms of capital, so differentiation might be unclear in some cases, though with one exception: While in general well-defined property rights exist for the first three forms of capital, only fragile property rights can be connected with social capital, depending on the social ties which represent the offspring of this capital form. Entrepreneurial networks therefore can be understood as an instrument to stabilise property rights on social capital and both to internalise positive external effects and spill over effects within the network. Based on this model it will be theoretically examined under which conditions small business networks can agglomerate towards regional networks and grow on to become local industrial clusters. The very complex and non-linear connections initiating path dependent processes of regional growth can only be understood under inclusion of economic, social and modern neurosciences like biopsychology. As the main result what is called the *breeding-ground hypothesis* will be found.