

Good professional relationships key to start-up success: Study

The future potential of early stage start-ups can be assessed by their existing professional relationships, suggests a research led by a team at a London-based university. Using available online data from 41,380 companies collected over 25 years, the research team created a visual network to show connections between companies and their employees.

They found that young start-ups, who quickly acquire a central position within the network, are more likely to show signs of long-term economic success.

The team then used this approach to develop success prediction algorithms, which were shown to be two to three times more accurate when predicting future economic performance than current labour-intensive screening methods adopted by venture capital firms.

Start-ups were ranked based on their values of closeness centrality, which measures the average distance of one company from other firms within the network. Results indicate the predictive link between rankings and long-term success, with 30% of the top 20 firms each month achieving a positive economic outcome within seven years. The researchers were able to validate their approach by reviewing the rankings of successful companies over time. They discovered that these companies swiftly moved to high-

Thinkstock



Young start-ups, who quickly acquire a central position within the network, are more likely to show signs of long-term economic success

ranking positions soon after they were founded.

Data on funding rounds, acquisitions and initial public offerings were all used as measures of start-up success.

Dr Moreno Bonaventura, Chief Scientist at a data-driven company on start-ups, said, "People within a company, be it investors, employees or advisors, bring with them experience from other firms on effective strategies, know-how on cutting-edge technologies, and their own personal contacts. Global networks are the backbone through which knowledge is gained and shared, and this information can be used to build predictive intelligence on the future economic performance of young companies."

ANI