

6-9-2007

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Recommended Citation

Honig, Benson and Karlsson, Tomas (2007) "SOCIAL CAPITAL AND THE MODERN INCUBATOR: A COMPARISON OF IN-GROUP AND OUT-GROUP SOCIAL NETWORKS (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 27: Iss. 15, Article 5.

Available at: <http://digitalknowledge.babson.edu/fer/vol27/iss15/5>

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SUMMARY

SOCIAL CAPITAL AND THE MODERN INCUBATOR: A COMPARISON OF IN-GROUP AND OUT-GROUP SOCIAL NETWORKS

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Principal Topic

In the public policy arena, one of the most prevalent components of entrepreneurship promotion consists of the sponsorship of public and university based incubators. Incubators are business support institutions designed to offer an array of services, such as space, infrastructure, advice, training and administrative support meant to accelerate the business start-up process. We estimate the number of incubators in the USA to be 1100, and 150 in Canada (NBIA, 2006 and CABI, 2006).

Comparative work examining the practices of incubators in US, UK, and Canada suggests that developing social networks and promoting social capital are the most important roles of incubators (Collinson & Gregson, 2003). This is congruent with research showing the importance of social capital for entrepreneurs (Davidsson & Honig, 2003; Shane & Cable, 2002). From an entrepreneurial perspective, social capital provides networks that facilitate the discovery of opportunities as well as the identification, collection, and allocation of scarce resources (Birley, 1985; Burt, 1982, 1992; Greene & Brown, 1997; Shane & Cable, 2002; Uzzi, 1999). Social capital also assists with the entrepreneurial exploitation process, by providing and diffusing critical information and other essential resources (Aldrich, 1979). Social capital has been shown to provide information leading to capital investment in new ventures (Shane & Cable, 2002).

Method

We collected data from 90 entrepreneurs across Canada, sampling small firms located inside incubators, as well as those never associated with incubators. We compare aspects of social capital related to the origin, quality and frequency of meeting for the individuals entrepreneurs cited as being most important to the success of their companies. We control for a range of other variables between the two groups.

Results and Implications

Our research shows that entrepreneurs in incubators have very similar levels of social capital as entrepreneurs outside incubators. Both groups rely primarily on friends, family, and consultants, identifying highly trusted individuals as being important to their firms. Incubator managers are only infrequently mentioned as being important persons to the firm, and only moderately important in providing introductions to other important persons. We found that entrepreneurs in incubators meet more frequently with influential actors, and exhibit more bureaucratic behaviours, such as writing and modifying longer business plans.

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