THE USE OF SOCIAL CAPITAL BY SOLO-ENTREPRENEURS AND ENTREPRENEURIAL TEAMS IN INNOVATIVE INDUSTRIES (INTERACTIVE PAPER)

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INTERACTIVE PAPER

THE USE OF SOCIAL CAPITAL BY SOLO-ENTREPRENEURS AND ENTREPRENEURIAL TEAMS IN INNOVATIVE INDUSTRIES

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Principal Topic

Central questions in entrepreneurship research concern the characteristics of the venture creation process and the factors determining the faith of a start-up project or the success of a new venture. Among other factors discussed social capital seems to play a pivotal role. Social capital is often tested for in entrepreneurship studies; however especially our knowledge about the team-social capital relationship is sparse. Scholars suggest that a start-up team compared to a solo-entrepreneur can gain more easily access to resources through the social network of its members (Davidsson & Honig, 2003). On the other hand a start-up team can perform more activities in the start-up process on their own, because a team combines different skills from its members (Gartner, 1985). In this paper investigate to what extent teams and solo-entrepreneurs rely on social capital during the venture creation process. We are also interested in the effects of social capital on later venture performance.

Method

Our empirical analysis is based on a random sample of team-founded start-up firms established in innovative industries. We conducted 456 face-to-face interviews with the solo-entrepreneur or the leading entrepreneur of the start-up team. Data is analyzed using chi-squared-tests and negative binomial regression models.

Results and Implications

We find that new venture teams do not use significantly more social capital in the venture creation process then solo-entrepreneurs. The number of team members and the diversity of a team’s knowledgebase have reverse effects on social capital, while the former increases and the latter decreases the probability to use social capital. We also find some evidence for changes in the network structure of new venture teams.

Solo-entrepreneurs and new venture teams differ concerning the effect of social capital on venture performance. We find that for solo-entrepreneurs especially help from weak ties has positive significant effects on employment. For team start-ups we don’t find significant effects of social capital.

We believe that this paper will make two important. First, we disentangle social capital and team issues. Second, we apply a dynamic perspective by establishing a link between the venture creation phase and subsequent venture performance.

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