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RESOURCES ONCE-REMOVED: SOCIAL CAPITAL AS A GENERATIVE RESOURCE IN ENTREPRENEURIAL ENVIRONMENTS (SUMMARY)

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SUMMARY

RESOURCES ONCE-REMOVED: SOCIAL CAPITAL AS A GENERATIVE RESOURCE IN ENTREPRENEURIAL ENVIRONMENTS

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Principal Topic

How does one explain resource development within start-ups? Specifically, do successful entrepreneurs possess generative resources that do not directly contribute to the firm's profitability, but generate other resources that make this contribution? Generative resources may constitute a dynamic capability, defined as "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece, Pisano & Schuen, 1997). We suggest that one such generative resource is a firm's social capital.

Research finds that a founder's relationships are important resources. This research typically investigates direct network ties and doesn't consider tie *relevance* (Yli-Renko, Autio & Sapienza, 2001) or status. Shane and Cable (2002) find mixed results for the impact of direct and indirect network ties on obtaining funding. We propose a counterintuitive perspective: indirect ties may be more important to start-ups than direct ties and the relevance and status of ties may be more important than tie type. We also anticipate interactions between tie characteristics. For example, the status of intermediaries in *indirect* ties may be ascribed to a start-up; such transference may not occur for direct ties. Similarly, indirect, relevant ties may be more effective at providing useful, unique information than less relevant ties, whether direct or indirect.

Method

Our data consist of 1,000+ companies contacted by an entrepreneurial firm. These firms were invited to attend marketing events where an influential venture capitalist spoke and company representatives introduced the start-up's product. We use responses to the invitation to the marketing event as outcome measures. Actors (in direct ties) or intermediaries (in indirect ties) are considered high status if they are venture capitalists, chief executive officers, or attorneys. Actors or intermediaries are considered relevant if they are sales or marketing executives. We will use an ordered logit model to estimate the discrete outcomes in this study.

Results and Implications

This paper develops a perspective on resource development in start-ups by focusing on social capital, which may be a key generative resource. This study offers the advantage of analyzing network contacts used by a start-up firm and their effect on entrepreneurial success. We also extend existing social capital research in entrepreneurial environments by examining multiple aspects of network relationships that have received relatively little attention: tie type, relevance, and status.

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