ASSESSING THE EFFECTS OF SOCIAL CAPITAL AND SOCIAL SKILLS: HOW INFLUENTIAL ARE THEY IN THE FOUNDING OF FIRMS? (SUMMARY)

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SUMMARY

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Principal Topic

This research investigates whether entrepreneurs can make a difference in founding firms or whether they are relatively powerless in the face of environmental threats. We posit that they can use their social capital and social skills – moderated by cognitive factors – to enhance a firm’s legitimacy and facilitate resource assembly, which are precursors to firm founding. We control for social and technological uncertainty as well as entrepreneurial climate. We draw on population ecology theory, institutional theory, industry organization economics, social capital theory and cognitive theory to test the influence of each of their reputed effects on firm founding.

Method

Using two-step structural equation modeling on 492 cases from the panel study of entrepreneurial dynamics we test a model with sequential proximal and distal variables that occur during the firm founding process. In addition, we use controls and moderators from the theoretical perspectives noted above, as well as nested models to eliminate rival explanations. In summary, we evaluate models that are both comprehensive and inclusive to assess the role of divergent theoretical perspectives on firm founding, which in effect pits these perspectives against each other.

Results and Implications

We find that social skills and social capital increase the influence of legitimacy-building and resource assembly, which in turn facilitate firm founding. Although the control factors act as expected, the cognitive factors, except decision making style, did not have a significant impact on firm founding. In addition, we found that increased legitimacy does not necessarily make resource assembly easier. We infer that entrepreneurs can make a difference in firm founding by leveraging their social capital and social skills.

Theoretically, this research presents evidence of the mediating roles of social capital and social skills on environmental threats, which suggests that theories portraying entrepreneurs as being helpless in the face of overwhelming environmental threats could be improved by incorporating a role for entrepreneurs that allows them to choose how they will respond. We also posit that it will be more helpful for entrepreneurs to focus on accumulating social skills and social skills than on improving their cognitive and behavioral functioning.

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