THE MOBILITY OF NASCENT ENTREPRENEUR’S SOCIAL CAPITAL AND VENTURE GESTATION (INTERACTIVE PAPER)

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Principal Topic

Much research has pointed to the importance of building social capital to the new venture gestation process. When employees create their own business after leaving current job, some of the social capitals created by group of individual couldn’t be easily brought into new job (David et al., 2008).

We divided social capital into general social capital, industry-specific social capital and task-specific social capital. General social capital is defined as social networks such as kinship and friends who only has only personal contact, not related with business. It has high mobility which will bring mentality help such as emotion support to entrepreneurs. Industry-specific social capital is the social network that can be applied across the whole industry, such as the networks with suppliers, customers, competitors and other entity organizations, which would decreases the business cost if entrepreneurs create new ventures in the industry which they worked before. Task-specific social capital is the relation with other entrepreneurs and members of founding teams. It would affect the intention of using network for initial capital during the venture gestation process.

We analyze the concentration of start-up behaviors, entrepreneurial exit and the venture gestation duration which might be more likely to lead to successful venture creation at particular times in the start-up process (Liao, Welsch and Tan, 2005). We offer hypotheses that suggest that (1) the mobility of social capital is positively related to a concentration of start-up behaviors. (2) The mobility of social capital is negatively related to the entrepreneurial exit. (3) The mobility of social capital is negatively related to the venture gestation duration.

Method

This study utilized publicly available data from the Panel Study of Entrepreneurial Dynamics II (PSED II). Hypotheses were tested in a series of hierarchical regression models. Independent variables were the mobility of social capital which was measured by the characteristic of social network specific to industry, task and so on. We used concentration of start-up behaviors, entrepreneurial exit, and the venture gestation duration as dependent variables.

Results and Implications

This paper builds a link between the mobility of social capital of nascent entrepreneurs’ and venture gestation by exploring a new way to classify social capital. Our findings may contribute to an increased understanding of the mobility of social capital during the process of venture gestation.

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