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SUMMARY

THE ROLE OF HUMAN AND SOCIAL CAPITAL IN BUSINESS MODEL ADAPTATION OF NEW VENTURES

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Principal Topic

Business model adaptation has the potential to disrupt market dynamics. It can alter the landscape by propelling the adaptors forward, or it can assure survival in the face of external shocks. Past research tells us, however, that not all firms adapt successfully, nor even commence a process of adaptation. That research is also mostly based on case studies of large, established firms, and is generally not theory-driven. In this paper, we view business model adaptation as a reflection of organisational learning. In particular, we apply human and social capital theory, to determine antecedents of business model adaptation in new ventures.

Method

We generated methodologically sound longitudinal observations, drawing early stage firms from a random sample of over 30,000 Australian households. We followed the firms over four annual waves of surveys, which allows clear temporal separation between dependent and independent variables. Respondents were asked about education and experience-based aspects of generic and specific human capital. We also asked questions relating to bonding and bridging ties, for our social capital measures. The observations for human and social capital used in this study were taken mostly from wave 1, with some in wave 2. To measure business model adaptation, we asked questions about “important changes” that had been made to: products and services; target customers; promotion methods; production and sourcing methods. The observations for our dependent variable were taken in wave 4 of the panel study.

Results and Implications

We found significant direct effects for bridging social ties, experience-based general and specific human capital. We also found evidence of curvilinear relationships for variables in each of those categories and significant moderating effects of experience-based human capital. Implications for theory are that, in a nuanced way, greater human capital supports new ventures in their business model adaptation and that social capital contributes to filling gaps stemming from liability of newness. For practitioners, our findings suggest that – for aiding business model adaptation – new ventures should seek out external, bridging sources of help, but avoid family and friends. They said suggest greater focus on experience-based learning, rather than formal education.

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