6-10-2017

DISTINGUISHING ACCESS TO SOCIAL CAPITAL FROM USING IT: A SURVIVAL ANALYSIS OF THE KAUFFMAN FIRM SURVEY (SUMMARY)

Cesar Bandera
New Jersey Institute of Technology, bandera@njit.edu

Ellen Thomas
New Jersey Institute of Technology

Recommended Citation
Bandera, Cesar and Thomas, Ellen (2017) "DISTINGUISHING ACCESS TO SOCIAL CAPITAL FROM USING IT: A SURVIVAL ANALYSIS OF THE KAUFFMAN FIRM SURVEY (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 37 : Iss. 6 , Article 2. Available at: https://digitalknowledge.babson.edu/fer/vol37/iss6/2

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized editor of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
SUMMARY

DISTINGUISHING ACCESS TO SOCIAL CAPITAL FROM USING IT: A SURVIVAL ANALYSIS OF THE KAUFFMAN FIRM SURVEY

Cesar Bandera, New Jersey Institute of Technology, USA
Ellen Thomas, New Jersey Institute of Technology, USA

Introduction

The positive impact of social capital on startup survival has been well described in the literature, but the impact of business incubators and clusters remains inconclusive in spite of the opportunity for social capital diffusion in these high density sites. We hypothesize that being in an environment in which social capital is readily accessible does not imply that the startup will engage it. We also hypothesize those startups that collaborate with other agents (universities, industries, and government organizations) outperform startups that do not.

To test the above hypotheses, this work develops a model of startup survival that distinguishes between the density of a startup’s ecosystem and the startup’s exploitation of its ecosystem. Using the longitudinal Kauffman Firm Survey of 4928 companies founded in 2004 and the US Census Bureau County Business Patterns, we compute the density of a startup’s ecosystem as the number of companies in the startup’s ZIP code with the startup’s 2-digit NAICS code. This density measure is used as a proxy for the availability of relevant social capital and tacit knowledge to the startup. Life table and parametric survival analysis models are applied to these integrated databases using collaboration and density as time-varying covariates.

Results

We find a strong positive association between startup life expectancy and collaborations. Startups with more diverse collaborations (different types of agents) are found to exhibit greater life expectancy (p=0.01) and collaborations benefit high-tech startups more than low-tech startups. We also find that these collaborations are not correlated with density to any statistically significant degree, although survival improves slightly with density for high tech startups and worsens slightly for non-tech startups. A Weibull accelerated failure time model with increasing startup failure risk fits better than a constant risk function, further indicating that startups are ill-prepared when they graduate from high-density environments.

Implications

This work suggests that instead of focusing on services and the development of human capital among their tenants, incubator and cluster administrators should help startups build their social capital. Collaboration could even be made into a requirement of remaining in the center, thus directing tenants to make better use of the center’s resources for their own benefit and those of the center’s stakeholders. This work also calls for the inclusion of social capital building exercises in entrepreneurship education.

CONTACT: Cesar Bandera; bandera@njit.edu; (T) 7329915112 New Jersey Institute of Technology, Central Ave Building Room 4031 University Heights Newark, NJ 07102 USA.