ENTREPRENEURS’ SOCIAL COMPETENCE AND NEW VENTURE SUCCESS: EVIDENCE ON MEDIATING MECHANISMS AND GENERALITY OF THE EFFECTS (INTERACTIVE PAPER)

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INTERACTIVE PAPER SESSION

ENTREPRENEURS' SOCIAL COMPETENCE AND NEW VENTURE SUCCESS: EVIDENCE ON MEDIATING MECHANISMS AND GENERALITY OF THE EFFECTS

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Principal Topic

When entrepreneurs launch new ventures, they must interact with a wide range of persons who are not initially in their existing social network. In order to do so, entrepreneurs must develop effective working relationships with these individuals—and quickly! Accomplishing these tasks requires a high level of social competence—the overall ability to get along well with other persons. To date, only one study has specifically examined whether social competence influences the success of new ventures (Baron & Markman, 2003). While these findings suggest that social competence is indeed related to entrepreneurs’ success, this previous research had several notable limitations. First, the measure of new venture success is limited in its scope and does not reflect all aspects of new venture growth and success. Second, entrepreneurs from only two industries were included in the sample. Third, no evidence on possible mediators of the impact of social competence was obtained. Finally, all companies sampled were located in the North America, thus leaving open, the question of whether similar results would be obtained in other cultures, too. The present research is designed to address these deficiencies.

Method

Data were collected from new ventures operating in a wide range of industries in two cities of China (N = 146). Social competence was measured with a scale highly similar to that employed by Baron and Markman (2003). More adequate measures of new venture success (e.g., growth in sales, profits, etc.) were employed. Data pertaining to two potential mediators (knowledge and resource acquisition) and one moderator (primary business focus) were also obtained.

Results and Implications

Results indicated that several aspects of entrepreneurs’ social skills are significantly related to the financial performance of their new ventures. Further, such effects were mediated by the entrepreneurs’ effectiveness in obtaining information and essential human and financial resources. There was also some indication that social skills exerted stronger effects on new venture performance in industries that required entrepreneurs to interact with many different persons—and hence exercise their social skills—than in industries that offered fewer opportunities to employ these skills. This research extended and refined previous findings. Results suggest that efforts to enhance entrepreneurs’ social competence may well provide them with skills useful in launching new ventures.

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