SOCIAL TIES AND TEAM-MEMBER EXCHANGE AS ANTECEDENTS TO FIRM PERFORMANCE (SUMMARY)

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SUMMARY

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Principal Topic

Estimates indicate that roughly one-third of all new businesses close within the first two years and that over half of new firms close in their first four years (Headd, 2003; Knaup, 2005). These data provide insight into the precarious and tumultuous experience that new entrepreneurial ventures encounter in their first years of business. To provide insight into the new venture experience, recent research highlights the need to view the entrepreneurial process as one in which interacting individuals, rather than lone individuals, are at the core of organizational evolution (West, 2007). To extend this line of thinking, (Gartner, Shaver, Gatewood, & Katz, 1994; Timmons, 1994), the present research draws on successful past paradigms indicating that 1) a social networking perspective holds promise for predicting performance (Bouwen & Steyaert, 1990; Coviello, 2005; Greve & Salaff, 2005; Peng, 2004), and 2) the relational interactions between group members (TMX, Seers, 1989) influences overall performance. Our goal is to assess what factors enable entrepreneurial groups to be as successful as possible and, thereby, improve the long term viability of new ventures.

Method

We collected data from entrepreneurs who were members of business networking groups. Following the work of Burt (1992) and Ibarra (1993) we utilize a 6-item scale to assess social networking (ties). We follow Seer’s (Ford & Seers, 2006) in assessing TMX with a 12-item scale. Performance is measured with two constructs. First, we assess business transacted: number of people passing referrals and amount of revenue generated. Second, we assess satisfaction. A standard regression approach was utilized to assess the relationship between independent variables (ties, TMX) and dependent variables (people passing referrals, revenue, and satisfaction).

Results and Implications

Results revealed that more developed social ties and more positive perceptions of team-member exchange (TMX) predicted more business referrals. In turn, the more business passed, the more revenue entrepreneurs generated. Additionally, positive TMX predicted more perceived value from involvement in the group, satisfaction, and more willingness to pass along referrals. While preliminary, our results suggest that merging a social networking perspective with TMX theory holds promise for understanding success factors of entrepreneurial groups and, in turn, improving the long term viability of new ventures.

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