DOING IT BY YOURSELF: ENTREPRENEURIAL FAILURE, DETERIORATION OF SOCIAL CAPITAL AND ENTREPRENEURIAL REENTRY (SUMMARY)

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SUMMARY

DOING IT BY YOURSELF: ENTREPRENEURIAL FAILURE,
DETERIORATION OF SOCIAL CAPITAL
AND ENTREPRENEURIAL REENTRY

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Principal Topic

Social capital theory has received widespread application in the entrepreneurship literature and has provided insightful findings about the start-up ventures of nascent entrepreneurs. In particular, scholars have found that nascent entrepreneurs initially rely upon exchanges based on affective (goodwill) trust to create access to financial, intellectual and human capital for their start-ups but later, as the entrepreneur begins to expand his or her network in search of opportunities and additional resources, reliance on traditional market exchanges based only on cognitive based trust will become more prevalent. Although insightful, this research stream has given little attention to how or why the experience of failure influences and potentially differentiates the network choices of renascent entrepreneurs. In other words, what becomes of the social relationships that were embedded in the network exchanges of the failed venture of a renascent entrepreneur?

Method

A case study research design was used to inductively build a theoretical model of the relationships between business failure, social capital and reentry into entrepreneurship. Since the process of moving from a failed venture to reentry is usually lengthy, three cases were selected that provide insight into different stages of the failure and reentry process (Yin, 2003). Drawing on theories on trust, attribution, social categorization and self-regulation, three propositions for future empirical study are depicted in a staged model of cognitive and affective trust in the network exchanges of renascent entrepreneurs.

Result and Implications

The recurring themes in the data collected suggest that while the entrepreneurial networks of nascent entrepreneurs may initially be more reliant on exchanges based on affective (goodwill) trust, the lessons from failure encourage the proactive management of network ties and may promote less reliance on affective trust and more reliance on cognitive (economic) trust upon re-entry to entrepreneurship. These findings suggest that if an entrepreneur attributes the failure of a start-up venture to a trust violation by a person generally considered in the literature to be a strong network tie (i.e., spouse, sibling, friend), he or she may deteriorate social capital by attributing the violation and the resulting distrust to other strong network ties in the same or similar social category and may forego reliance on their resources in the start-up of future ventures.

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