THE MORE YOU KNOW, THE HARDER YOU FALL? SOCIAL CAPITAL, OVERCONFIDENCE AND ESCALATION OF COMMITMENT IN CORPORATE (INTERACTIVE PAPER)

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INTERACTIVE PAPER

THE MORE YOU KNOW, THE HARDER YOU FALL? SOCIAL CAPITAL, OVERCONFIDENCE AND ESCALATION OF COMMITMENT IN CORPORATE VENTURING

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Principal Topic
The current paper addresses the relationship between top management teams (TMTs) and corporate venturing (CV). We argue that TMTs portray an active role in CV rather than the passive role of acting as gatekeepers to the corporate resources as has been previously argued (Brazeal and Herbert, 1999). We assume that when faced with a decision to support a CV project TMTs must gather information in order to decide.

Building on network theory we argue that TMTs use their interpersonal networks (social capital) inside and outside the organization to obtain information to aid in the evaluation of a CV project. Likewise we propose that TMTs with greater member heterogeneity\(^1\) will possess a large collective network granting them access to more non-redundant information in order to evaluate the CV project.

Conversely, we suggest that while access to information through a diverse network may aid TMTs in choosing an appropriate CV project to support, it may prove to be hindrance later on. The effect of the wealth of information available to the TMTs when choosing a CV project may result in the TMT being overconfident of the success of the project. In turn, overconfidence of the project’s success may cause TMTs to disregard negative feedback on a failing CV project they have sponsored resulting in an escalation of commitment behavior.

Key Propositions
The diversity represented by the members of a TMT should have a positive relationship to the information gathering capabilities of that team.

- The amount of social capital the members of a TMT represent holds a direct relationship with the level of confidence those members have towards the accuracy of their decisions regarding new ventures.

- The level of confidence exhibited by Top managers may be directly related to the propensity of corporate ventures to display escalation of commitment

Contributions
This paper extends the literature linking TMT and social capital by including corporate entrepreneurship as possible output of that relationship. The paper answers the call for research on managerial networks and the role of TMTs in corporate entrepreneurs (Zahra et al, 1999; Brazeal and Herbert, 1999). This paper also provides an alternative view for corporate entrepreneurship research by expanding the role top manager’s play in the process.

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\(^1\) In terms of functional background and International experience of the TMT members.