GROWTH ASPIRATIONS AND SOCIAL CAPITAL OF YOUNG FIRMS’ OWNERS AND MANAGERS IN A POST-CONFLICT ENVIRONMENT (SUMMARY)

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Recommended Citation
Efendic, Adnan; Mickiewicz, Tomasz; and Rebmann, Anna (2013) "GROWTH ASPIRATIONS AND SOCIAL CAPITAL OF YOUNG FIRMS’ OWNERS AND MANAGERS IN A POST-CONFLICT ENVIRONMENT (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 33 : Iss. 15 , Article 2.
Available at: https://digitalknowledge.babson.edu/fer/vol33/iss15/2

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SUMMARY

GROWTH ASPIRATIONS AND SOCIAL CAPITAL OF YOUNG FIRMS’ OWNERS AND MANAGERS IN A POST-CONFLICT ENVIRONMENT

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Principal Topic

We analyse the effects of social capital on growth aspirations of owners and managers of young businesses in a post-conflict environment of Bosnia and Herzegovina (BiH). Little attention is paid to entrepreneurship in such environments, where social capital may be both the most needed and the most fragile. We treat social capital as a multi-dimensional phenomenon, which enables us to bring together different aspects of socialisation emerging at the wider community and the local social neighbourhood level. Both may affect the entrepreneurs’ growth ambitions. We add to the literature by bringing together different dimensions of social capital - networks and trust - which have been treated separately in entrepreneurship research. We also argue that, in the post-conflict context, local ethnic diversity becomes an important indicator of social capital.

Method

We apply OLS regression using survey data from owners or managers of 244 young firms collected in 2011, which we combined with accounting data. The data was gathered from six different regions across BiH, providing us with a good representation of the ethnic mix of the young country.

Results and Implications

We find that local ethnic diversity is conducive to growth aspirations. The preservation of local ethnic diversity during the Bosnian war may be indicative of tolerance and low communication barriers which stimulate entrepreneurship. Second, we find that greater trust in institutions is associated with higher growth aspirations. In the past research, institutional trust has been implicated at the national-level. However, our results indicate significant variance among individuals with in a country, reflecting differing experiences; it is important to take a micro-perspective of institutions. Third, examining the structure of business networks, we find that strong social ties, but ones that reach beyond the family circle are positively related to growth aspirations. Whilst, networks based on external weak ties may potentially offer more valuable resources, in a weak trust environment, these resources will not be utilised effectively, unless these external ties are strengthened. Our findings highlight the importance of taking a multi-dimensional view of social capital in entrepreneurship research.

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