

## **Social capital in entrepreneurship research: Restoring the fortunes of an impoverished construct**

### ***Principal Topic***

Sociology of Entrepreneurship; New Venture Funding (via social networks)

### ***Key Propositions***

In entrepreneurship research, a prominent view of social capital is that it is a valuable source of funds and information, and is seen to be derived from close social networks of kin and friends. This rather instrumental perspective has an implicit underlying assumption of a one way flow of resources from social networks to entrepreneurs. Unfortunately, this view is informed by a relatively impoverished view of social capital as a construct.

Drawing on broader understanding of 'social capital' from the anthropology, economics and sociology literatures, this paper shows that for some entrepreneurs, dense social networks can, in fact, result in the loss of financial capital, inhibit innovation, and restrict entrepreneurial activity. Additionally, the importance of reciprocity in social networks is currently under acknowledged in entrepreneurial research. By drawing attention to the 'weakness of strong ties' (Grabher, 1993), the 'dark side' of social networks, and the role of reciprocity in the social contexts of entrepreneurs (Furneaux & Brown, 2008), a more complete and robust understanding of 'social capital' as a construct in entrepreneurial research is articulated.

### ***Results and Implications***

A new theoretical model is advanced in this paper, which demonstrates the potential for multi-directional flow of resources in the social networks of entrepreneurs. Once a multi-directional flow of financial, technical, and intellectual resources is allowed for theoretically, a number of promising research trajectories become evident. Specifically a more robust understanding of social capital has direct implications for the way the construct is operationalised in research, particularly for new venture resourcing, and the ongoing relationship between an entrepreneur and his social networks. More practically, the paper offers insights into some specific challenges which might face a budding entrepreneur, particularly in the start up phase of a new venture than is often allowed for.