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From social capital to entrepreneurial orientation: The mediating role of dynamic capabilities

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This paper analyzes how social capital and its three dimensions—structural, relational, and cognitive—affect entrepreneurial orientation through dynamic capabilities. We specifically analyzed the effect of each dimension of social capital on firms' entrepreneurial orientation and the mediating effect of dynamic capabilities to explain these relationships. This study was conducted on a sample of firms in the Spanish agri-food industry. The results of the empirical analysis show that dynamic capabilities are generated by firms' social capital. Dynamic capabilities lead relational and cognitive social capital to develop a higher entrepreneurial orientation. The negative effect of structural social capital can only be countered if firms build and develop dynamic capabilities.

1. Introduction

In the last few decades, entrepreneurial orientation (EO) has been consolidated as a differentiating firm factor in the entrepreneurship literature (Covin & Lumpkin, 2011). According to Lumpkin and Dess (1996), EO is defined as a firm's strategic orientation that captures the methods, practices, and decision-making styles that managers use to act entrepreneurially. Despite the extensive literature linking EO to firm performance (Avlonitis and Salavou, 2007; Sciascia, D'Oria, Bruni, & Larrañeta, 2014), only a few studies have analyzed its antecedents (De Clercq, Dimov, & Thongpapanl, 2013; Kyrgidou & Spyropoulou, 2013). Therefore, the origins of EO remain unclear, and researchers should move toward the study of less explored areas, such as social capital (SC), to explain and predict EO (Wales, Gupta, & Mousa, 2013). In line with this, Stam and Elfring (2008) highlighted that it is an important research agenda to investigate how SC encourages or discourages EO. The limited number of existing studies do not clarify how SC influences EO because they show somewhat divergent results: positive (Kaasa, 2009; Kwon & Arenius, 2010), negative (Inkpen & Tsang, 2005; Nooteboom, 2002), or even curvilinear effects (Molina-Morales and Martínez-Fernández, 2009). To improve our understanding of this particular research issue and fill this important gap in our knowledge, we introduce dynamic capabilities (DCs) as a key driver factor to explain this relationship.

The SC perspective has received increasing attention in the field of management. In line with studies undertaken by Stam and Elfring (2008), we used the definition of SC proposed by Nahapiet and Ghoshal (1998) in this paper, considering it to be the actual and potential resource available to a firm through its network of relationships. Previous literature has shown how a firm's SC can strengthen cooperation with suppliers, improve interfirm learning (Ramström, 2008), and encourage the identification of new opportunities and acquisition of complementary resources (Gulati, Nohria and Zaheer, 2000). Despite the numerous contributions made over recent years from both the SC perspective and that of firm EO, we found few studies that connect the two. Thus, Stam and Elfring (2008), employing the idea that in the field of entrepreneurship, EO "remains virtually untouched by theory and empirical research on the network forms of SC" (Burt, 2000, p. 372), suggest the need to explore this field of study further. Some studies have addressed the role of the generation of SC in the process of a firm's creation (Anderson, Park and Jack, 2007). Moreover, a firm's SC both facilitates the exploitation of innovative opportunities with

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uncertain results and improves the ability to identify information asymmetries, thereby enabling the discovery of new opportunities (Hargadon, 2002). However, the study has also shown problems linked to cost and time spent on maintaining relationships, and the concepts of redundancy, blindness, inertia, and myopia. Thus, the literature suggests there will be contradictory effects of SC on a firm's EO depending on the SC dimension analyzed, which the current debate has not yet resolved. Furthermore, we find studies that show both positive and negative effects in the three dimensions of SC proposed by Nahapiet and Ghoshal (1998), i.e., structural, relational, and cognitive. The structural dimension is the most controversial of these. In addition, the literature establishes that dense networks of strong ties allow for the transmission of tacit knowledge and identification of further opportunities (Kaasa, 2009). However, different authors establish its negative effects (McEvily and Zaheer, 1999; Molina-Morales and Martinez-Fernández, 2009). Similarly, although several studies establish a positive relationship between relational SC, specifically trust, and a firm's perception of new opportunities (Kwon & Arenius, 2010), some authors point out that high levels of trust can produce rigidity, setting up barriers against new opportunities (Nooteboom, 2002), which would, in effect, limit a firm's EO. With respect to cognitive SC, having common norms and goals favors the exchange of valuable information (Tang, 2010), which promotes an EO. However, some authors specify that this type of SC can discourage individual initiative (Woolcok, 1998). Given the heterogeneity in the meaning and implications of SC (Franke, 2005), we analyzed it as a multidimensional construct (Nahapiet and Ghoshal, 1998), where each dimension may exert a different effect on a firm's EO.

Following the demands identified in the previous literature, in the present paper, we analyzed new explanatory factors that advance our understanding of the process by which a firm develops EO through their SC. Specifically, the DC approach helps to highlight and understand the link between SC and a firm's EO. Thus, Helfat and Martin (2015) established that a firm's EO is determined by its DCs. Furthermore, studies such as those of Zahra, Sapienza and Davidsson (2006) and Teece (2007) specify that the presence of a greater or lesser EO depends on the DCs developed by the firm. DC is defined as “the ability of an organization to integrate, build and reconfigure internal and external competencies in order to cope rapidly with changes in the environment” (Teece, Pisano and Shuen, 1997, p. 516). The SC developed by firms from their relationships with other actors may favor the development of DCs. Thus, SC develops certain mechanisms that transform external knowledge in DCs, which can be exploited in new products, processes, or services (Zahra & George, 2002). Moreover, the development of DCs deters a firm's EO (Helfat and Martin, 2015; Teece et al., 1997). Specifically, a firm's EO will depend on the DCs they develop (Kyrgidou & Spyropoulou, 2013). Therefore, the DC approach serves as a key link between the SC possessed by the firm and its transformation, adaptation, and use for the development of EO.

Thus, the role of DCs can explain existing doubts about the relationship between the three SC dimensions and a firm's EO. This paper serves to fill the gap identified in the literature, offering a solution to the dispute surrounding the divergent effects of each type of SC on the EO. Our aim is therefore to analyze the mediating role of DCs to explain the link between SC (structural, relational, and cognitive) and EO. To this end, we propose that SC will lead firms to develop an EO only if this SC is oriented toward creating and strengthening their DCs.

This paper presents three main contributions. First, we observe that DC drives the relationship between SC and EO. Thus, DC allows us to understand and resolve the doubts existing about this effect. Second, we provide an in-depth analysis of the heterogeneous effect of each SC dimension, in line with those works that require the independent analysis of each element. Third, this study links three theoretical approaches, SC, EO, and DC, that were subject to growing interest over the last two decades in the business administration literature to respond to the demand of previous publications, examining the main antecedents of EO both theoretically and empirically (Wales et al., 2013).

We first, therefore, explain the theoretical basis of our work and the hypotheses. Second, we describe the methodology and the results obtained. Third, we present the discussion of these results, the main conclusions that can be drawn from them, and the wider implications that follow.

2. Theory and hypotheses

2.1. Entrepreneurial orientation

Covin and Lumpkin (2011) highlight the three fundamental reasons why the research on a firm's EO bridges an important gap in the entrepreneurship literature. First, it has been shown that EO is a valuable construct for understanding how and why some firms are able to renew themselves regularly over time through new paths of growth (Morris, Kuratko and Covin, 2011). Second, the EO exists as a continuous variable or a set of variables that represent one or more dimensions in which firms can be framed. Thus, this concept offers a common measurement by which entrepreneurship can be assessed. Finally, EO occupies a distinct space from other entrepreneurial concepts, such as entrepreneurial culture and climate. Thereby, Covin and Lumpkin (2011) suggest that EO is not a specific and unique act or behavior, but it is the essential element of the entrepreneurial process. As stipulated by Lumpkin and Dess (1996, p. 136), EO is defined as “the methods, practices, and decision-making styles managers use to act entrepreneurially. These include such processes as experimenting with promising new technologies, being willing to seize new product-market opportunities, and having a predisposition to undertake risky ventures.”

Previous literature has proposed that EO is shaped by several dimensions, representing different characteristics of the firm's strategic orientation. Initially, Miller (1983) and Covin and Slevin (1989) identified three aspects to define the EO construct: innovativeness, proactiveness, and risk-taking. Two additional dimensions, competitive aggressiveness and autonomy, were incorporated by other authors, who suggested that these new characteristics must be observed within an entrepreneurial process (Lumpkin and Dess, 1996). Innovativeness refers to the firm's propensity to support new ideas, novelty, and creativity, and the process that results in new products, services, or technological processes (Lumpkin and Dess, 1996). Proactiveness represents a future perspective, trying to anticipate changes and opportunities in the environment, to develop new products or improvements in the current products, detect future market trends, and promote changes in tactics (Hughes & Morgan, 2007). The essence of proactiveness is in a firm's ability to introduce new products and services to capitalize on market opportunities (Wang & Altinay, 2012). Risk-taking represents the willingness to take advantage of opportunities that have arisen in the environment, although the firm knows neither the likelihood of its success nor the consequences of its actions (Lumpkin and Dess, 1996). Competitive aggressiveness represents the firm's behavior to improve their position in the industry, challenging its competitors directly and intensely (Lumpkin and Dess, 1996). Finally, autonomy refers to the willingness of the firm to allow the independent individual or team action and supporting an idea or vision and bringing it to completion in a self-directed process (Hughes & Morgan, 2007). As De Clercq et al.

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