



## Embracing digital networks: Entrepreneurs' social capital online



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### ABSTRACT

This paper presents a research agenda for understanding how entrepreneurs accrue social capital in the digital age. We develop a conceptual framework with 12 research propositions that specify how the unique technical capabilities of social network sites impact entrepreneurs' bridging and bonding social capital online. These propositions are informed by anecdotal evidence from founders that finds entrepreneurs' social capital accrual differs online. We include theoretical and methodological insights for overcoming research challenges concerning context dynamism, intertwined networks, and unclear behavioral norms. This agenda addresses a growing gap between contemporary entrepreneurial practices and existing social capital theory and research in entrepreneurship.

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### 1. Introduction

There is a substantial body of research indicating that social capital is critical to venture success (Erikson, 2002; Jack, 2010; McKeever et al., 2014; Slotte-Kock and Coviello, 2010). Entrepreneurship scholars also agree that context matters in understanding entrepreneurs' networks and networking behaviors (Dodd and Patra, 2002) including how they accrue and use social capital (Stam et al., 2014; Zahra et al., 2014). Apart from some early work (e.g., Fischer and Reuber, 2011; Morse et al., 2007; Sigfusson and Chetty, 2013), few studies have considered how entrepreneurs build and employ social capital in the context of online networks. Despite evidence of entrepreneurs' growing use of Facebook, LinkedIn, Instagram and other social network sites (SNSs), including Twitter (Fischer and Reuber, 2011), little is known about how entrepreneurs establish social capital online.

Research in computer-mediated communications (CMC) helps bridge this gap by demonstrating that social capital is accrued differently online versus offline (cf. Kim et al., 2011). SNSs enable unique technical capabilities called *affordances* (Ellison et al., 2011a), which provide a distinct context for understanding networks, relationships, and social capital (Ellison and Boyd, 2013). For example, SNSs have the capacity to help entrepreneurs initiate weak ties (Morse et al., 2007) and manage strong ones (Sigfusson and Chetty, 2013). While CMC literature focuses on online networks of friendship ties, less attention has been focused on how social capital is accrued in the online networks that entrepreneurs use to launch, grow, and support their ventures.

We address this gap by developing a conceptual framework that demonstrates how the unique affordances of SNSs likely impact entrepreneurs' networking behaviors online and, consequently, their acquisition of social capital. This framework, together with data collected from interviews with 16 founders, and extant literature, supports the development of 12 research propositions. These propositions identify the mechanisms by which SNS affordances likely influence the network broadening and deepening behaviors (Vissa, 2012) used by entrepreneurs to acquire bridging and bonding social capital online (Williams, 2006).

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This article offers three main contributions to entrepreneurship literature. First, we argue that entrepreneurship scholars can no longer ignore the online context within which many entrepreneurs now build and use social capital. To guide future empirical studies investigating this context, we present a comprehensive research agenda for extending theory and knowledge about entrepreneurs' bridging and bonding social capital online. Such research is essential to understand entrepreneurs' social capital in complex and blended online-offline contexts.

Second, we build on early studies of entrepreneurs' online networking behaviors (e.g., Morse et al., 2007) and draw on CMC concepts to construct a comprehensive set of 16 SNS affordances that are important to understand entrepreneurs' social capital online. Our analysis of these affordances illuminates *how* entrepreneurs' accrual of social capital differs online. The delineation of these affordances makes these concepts more accessible for both the study of entrepreneurs' social capital and other entrepreneurship constructs such as entrepreneurial identity and entrepreneurial orientation that may also manifest themselves differently online.

Finally, we specify how the online context may impact entrepreneurs' network broadening and deepening behaviors. We develop research propositions identifying 10 action mechanisms that explain why the accrual of entrepreneurs' bridging and bonding social capital is expected to differ online. By doing so, we respond to calls to focus on: entrepreneurial action (Shepherd, 2015); entrepreneurs' networking processes (Jack et al., 2008); the social capital behavior of entrepreneurs (Wiklund et al., 2011); and the 'workings' of social capital (Gedajlovic et al., 2013). The 10 action mechanisms are also useful for assisting entrepreneurship scholars in understanding other behaviors online.

Collectively, the contributions of this paper challenge the assumption that online and offline contexts present the same conditions for accruing social capital. Entrepreneurs' networks are opportunity structures (Brüderl and Preisendörfer, 1998) that map the "action possibilities" for entrepreneurs (Johanson and Mattsson, 1987). As their behaviors are socially situated (Haynie et al., 2010), entrepreneurs' actions likely differ online. The resulting differences can lead to over- or under-estimating the overall productive potential (Coleman, 1988) of entrepreneurs' social capital. Without taking these differences into account, social capital theory is underdeveloped and current prescriptive recommendations for entrepreneurial practice are incomplete.

We begin with a review of the conceptual foundations of our work, followed by a presentation of our framework and development of research propositions, which are the basis of our research agenda. We then discuss key challenges relevant to investigating our propositions and recommend theoretical and methodological approaches for overcoming these difficulties, before drawing brief conclusions.

## 2. Conceptual foundations

Our work is positioned within the entrepreneurial action paradigm (e.g., McMullen and Shepherd, 2006) that advocates research focused on the actions of entrepreneurs as the unit of analysis. Specifically, we focus on those actions that entrepreneurs engage in to accrue social capital online. Our overarching theoretical perspective is social exchange theory, in which motivations, including equity, trust, and reciprocity, inform agency (Homans, 1961). These motivations underlie the mechanisms by which SNS affordances likely influence entrepreneurs' network broadening and network deepening behaviors online. In the sections that follow, we review the conceptual foundations of social capital and SNSs that inform the development of our framework and research propositions.

### 2.1. Social capital

Social capital is broadly understood as the ability of entrepreneurs to extract and utilize resources from relationships to achieve desired outcomes (Adler and Kwon, 2002). While authors such as Fornoni et al. (2012) and Stam et al. (2014) argue that social capital is a critical element of entrepreneurial success, social capital research has not kept pace with entrepreneurial practice. Increasingly, entrepreneurs manage business relationships online (Fischer and Reuber, 2011), but little is known about how entrepreneurs' social capital works in this context.

Social capital is considered to be a foundational theoretical perspective in entrepreneurship (Murphy, 2011). It is a key outcome of networking, an important micro foundation of entrepreneurial action (Adler and Kwon, 2002). Social capital helps entrepreneurs in myriad ways, such as: capitalizing on market opportunities (cf. Uzzi, 1997); identifying, collecting, and allocating scarce resources (cf. Davidsson and Honig, 2003); garnering information, influence, and sponsorship (cf. Adler and Kwon, 2002); improving outcomes in turbulent times (cf. Rogers, 2006); providing legitimacy (cf. Aldrich and Fiol, 1994); preventing failure (cf. Westhead, 1995); and strengthening the innovative flexibility and competitiveness of small firms (cf. Özcan, 1995). Potential negative effects of social capital have also been identified, such as: the imposition of mental conformity, restricting escape from failing partners, reducing objectivity, increasing transaction costs, and protecting mediocrities (Adler and Kwon, 2002; Li et al., 2013; Light and Dana, 2013). More comprehensive reviews of the social capital literature in entrepreneurship are provided by Gedajlovic et al. (2013) and Payne et al. (2011), but a key insight from this literature is that social capital is a central determinant of entrepreneurial outcomes.

Despite its importance, social capital research has suffered from a lack of precision and consistency, extending even to its definition (Anderson et al., 2007; Payne et al., 2011). Adler and Kwon (2002), for example, focus on the relationships inherent in networks by defining social capital as the goodwill created through social relations that can be mobilized to attain needed resources. Conversely, Gedajlovic et al. (2013) suggest that actual resources, such as information, assistance or money, are what constitute social capital; in their view relationships are the means of providing such resources. These differences in perspective,

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