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# Marshaling Resources to Form Small New Ventures: Toward a More Holistic Understanding of Entrepreneurial Support

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**This article makes two contributions to our understanding of the core entrepreneurial activity of assembling resources to pursue an opportunity. First, a conceptual framework is presented to organize the research on resource mobilization. Second, a study is presented based upon interviews with a random sample of 48 entrepreneurs to identify the supporters whom the entrepreneurs considered to have been key to their success and the resources obtained from these individuals. Results indicate that maximizing the overall effectiveness of resource combinations is a complex undertaking involving trade-offs between the quantity and quality of available resources and the efficiency versus effectiveness of supporters.**

... instead of iconoclastic individualists, the cowboy capitalists of America's dreams, we found people enmeshed and embedded in industries, with rich networks of contacts and colleagues they could draw on to help them build a business. For most, the secret of successful entrepreneurship seemed to lie not just in individual inspiration but in knitting a dozen different interests into one cooperative endeavour. ... For us—we'd better admit it—this discovery was a little unsettling (Case, 1989, p. 51).

**E**ntrepreneurship has historically been considered as an individualistic pursuit. More recently, research indicates that the notion of the entrepreneur as an isolated figure who overcomes obstacles and fends off dangers alone represents a romantic and outdated misperception. While examples of the importance of the entrepreneur as the driver of the business are abundant, these *stars* rarely shine as bright without a myriad of support along the way.

Entrepreneurship involves mobilizing resources to pursue identified opportunities (Stevenson, 1989). According to the resource-based view (RBV) of the firm, organizations

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are considered as “bundles of resources” (Wernerfelt, 1984). Firms with stronger resource bases are better able to survive the consequences of bad decisions and environmental jolts. For new firms, initial resources influence the range of alternatives available to the entrepreneur, subsequent firm strategies that bear upon the capabilities of the firm, and may act as a buffer against the liabilities of smallness (Cooper, Gimeno-Gascon, & Woo, 1994). Resources that are valuable, rare, costly to imitate, and difficult to substitute can provide firms with a sustained competitive advantage over competitors if the firm is organized to exploit those opportunities (Barney, 1991). Achieving this requires the entrepreneur to be involved in at least three subprocesses, including managing the resource inventory by adding and shedding resources, configuring existing resources into resource bundles, and leveraging the resources (Sirmon & Hitt, 2003).

The RBV directs our attention to the entrepreneur’s social role as an assembler and organizer of resources. Obtaining access to resources often involves asking others for money, labor, and effort for a venture with an uncertain future (Dubini & Aldrich, 1991). Furthermore, the organization and coordination of resources require additional social activity and interaction (Brüderl & Preisendörfer, 1998). Researchers of entrepreneurship are developing increasingly comprehensive models of the social context of the entrepreneurial process utilizing variables derived from network theory (Aldrich & Whetten, 1981), social capital theory (Coleman, 1988), leadership theory (Westley & Mintzberg, 1989), stakeholder theory (Freeman, 1984), and grounded theorizing (Glaser & Strauss, 1967). A key assumption shared by all of these perspectives is that entrepreneurial success is contingent upon the entrepreneur mustering and receiving support from other individuals.

Because the term *support* can have powerful connotations and is often associated exclusively with the formal assistance provided by government or publicly funded sources, some clarification of terminology is warranted. We define *support* as the act of providing an entrepreneur with access to a valued resource and a *supporter* as any individual who willingly performs such an act. In this article, the terms *supporter* and *resource provider* are used interchangeably. This notion of support is deliberately broad and is intended to include both tangible and intangible resources. Moreover, the definition implicitly recognizes the possibility of differing motivations that may accompany acts of providing support. We use the term *convenience-based support* to represent those acts where the underlying motivation is purely economic and where the supporter expects to be compensated for his/her effort. In contrast, *value-based support* refers to “selfless” supportive acts where there is no expectation of reciprocity (Sooklal, 1991). It can be noted that these latter two terms are intended to represent the end-points of a continuum of potential motivations rather than an “either/or” dichotomy. Overall, employing the concept of *support* rather than *resources* emphasizes the social context of resource acquisition and the importance of considering not only resources but also resource providers.

## A Framework for Organizing Research on Entrepreneurial Support

Table 1 presents a framework for organizing the diverse literature concerning support into a  $2 \times 2$  matrix based upon the relationship between the number of types of resources provided/received (one or multiple) and the number of sources of the support (one or multiple) examined in a particular study. Space does not permit a comprehensive review of the considerable literature addressing entrepreneurial support. Instead, in each quadrant we identify a handful of exemplary studies that provide a limited overview of the research domain in order to illustrate the nature and functionality of the framework.

Table 1

### Organizing Framework for Support Research

STUDY FOCUS	One source of support	Multiple sources of support
One type of support	I. One-from-one	II. One-from-many
Multiple types of support	III. Many-from-one	IV. Many-from-many

#### Quadrant I

Many studies are located in quadrant I, where the focus is on one type of resource stemming from one source. Included here are studies of the financial capital provided by sources such as venture capitalists, angels or lenders. Another key area of inquiry located in this quadrant addresses information or advice provided by public agencies. Roughly 60–78% of nascent entrepreneurs seeking assistance from business development centers start businesses (Chrisman, 1999).

#### Quadrant II

Quadrant II contains studies where the focus is on one type of resource and multiple providers. When considering different providers, researchers often distinguish between formal or “purposive” sources of support and informal or “natural” sources. Purposive support consists of the services provided by private and government-sponsored organizations specifically established to cater to the needs of small business (Gibb, 1990). Purposive sources have been the subject of considerable research aimed at examining the level of usage and/or perceived value.

Natural or informal sources of support consist of individuals and organizations whose primary role or function does not include the provision of support for business. Most small business owners will not deliberately seek formal sources of support unless they are introduced to them through their existing informal networks in which they have developed confidence and trust (Gibb, 1990). Only when the closer network is incapable of meeting the entrepreneur’s needs will s/he move to the next layer for help.

Of the potential variety of nonfinancial resources acquired from supporters, only information and advice have been studied relatively intensively. Here, research suggests that personal sources may be preferred when planners are uncomfortable or uncertain about their decisions or when they perceive an unanalyzable environment (Specht, 1987). Entrepreneurs with previous ventures who subsequently operate in a vastly different domain search for information less intensively than entrepreneurs without prior experience; these inexperienced entrepreneurs rely more on personal sources such as family, friends, and other business owners (Cooper, Folta, & Woo, 1995).

The degree of trust between parties appears to explain the level of usage and impact of different external sources of advice; this relationship is even stronger with private sector sources (Bennett & Robson, 1999). The extent to which internal sources are used for

information remains fairly constant across all decision areas, whereas the use of external sources shows greater fluctuation by decision type (Pineda, Lerner, Miller, & Phillips, 1998). Although internal sources are seldom used for advice, they tend to be high in impact (Doggett & Hepple, 1995). Outside advisors are frequently used but rarely are the single person to whom owners turn prior to a critical decision. The likelihood of small business owners taking advice increases when they must pay for it (National Federation of Independent Business, 2002).

### **Quadrant III**

The RBV recognizes the potential for multiple types of resources: financial, physical, human, technological, reputational, and organizational. Research on the nonfinancial assistance provided by venture capitalists points to the multifaceted forms of support that can originate from one source. Venture capitalists help to build the investor base, review and help to formulate business strategy, and assist with the recruitment of the management team (Gorman & Sahlman, 1989). Subsequent research (Ehrlich, Noble, Moore, & Weaver, 1994; Fried & Hisrich, 1995; Landstrom, 1990) points to an even greater variety of assistance including moral support, serving as a sounding board, image, and credibility enhancement, and locating strategic information. Notably, the relationship between a venture capitalist and an entrepreneur is likely to be different from a typical supporter, as the venture capitalist typically operates from a position of power (Fried & Hisrich, 1995).

Some research concerning small firm boards of directors also lies within quadrant III. Although the strategic problems of small firms may be less complex than those of large firms, the boards of directors of small firms may be even more important because small companies often have less internal competency to deal with these questions and also often lack internal sources for service or expertise (Huse, 1990). Three areas where board composition is likely to affect small firm performance are service, resource acquisition, and control (Daily & Dalton, 1993).

### **Quadrant IV**

Research on personal networks provides the majority of studies dealing with multiple resource types acquired from multiple sources. Business contacts have been shown to be more helpful than family and friends in gaining access to raw materials or supplies, business equipment, locations, employees, and sales, whereas family and friends are primary sources of capital (Birley, 1985). More generally, different resource-providing networks play critical roles, depending on a venture's strategy (Sandberg & Logan, 1997). All the contacts of an entrepreneur therefore cannot be treated as a single undifferentiated network. Highly trained entrepreneurs in larger and growth-oriented businesses tend to have a wide network position, while entrepreneurs without higher education discuss business matters significantly more with relatives (Donckels & Lambrecht, 1997).

## **The Need for a More Holistic Understanding of Support**

Studies located in quadrant IV appear especially well positioned to examine the totality of entrepreneurial support associated with a new venture because they have the potential to address the breadth and diversity of support and supporter relationships extant in the population. Unfortunately, even in this quadrant, research has typically constrained

the number and scope of the sources and/or types of support examined. For example, few studies have considered the potential for support from internal sources including employees despite empirical findings demonstrating their high impact. Similarly, early studies of personal networks usually confined their investigations to close relationships associated with a high frequency of contact. A similar pattern is encountered with respect to the treatment of different types of support; in this case, potential forms of support are usually restricted during the process of measurement, with only a limited number of predetermined categories being considered when forming nominal scales.

In summary, studies in all quadrants have focused on a limited range of sources or types of support. In the absence of prior theoretical or empirical justification, these studies often must implicitly assume that the resource providers and resource transactions investigated are important. Unfortunately, this assumption may often be unwarranted. It has been found, for example, that of 15 external sources of Small and Medium-Size Enterprise (SME) advice, only two (customers and accountants) were rated at or above the scale midpoint (Bennett & Robson, 1999). Other findings have demonstrated that even frequency of usage may provide a poor indication of importance (Doggett & Hepple, 1995).

The problems described in the foregoing paragraph suggest that even though the body of knowledge captured in the totality of studies represented by the framework has done much to expand our knowledge of the resource mobilization process, the overall picture is fragmented and some key pieces of the puzzle remain missing. How many resource providers do entrepreneurs draw upon? Which types of supporters are valued most by entrepreneurs? What types of resources do these valued resource providers provide? In what quantity? Are these factors constant across various entrepreneurial contexts or do they differ in the case of independent start-ups, turnarounds, and corporate entrepreneurship? The fact that such questions are fundamental yet unanswered points to a need for additional exploratory research that minimizes restrictive assumptions, which can give rise to artificial floor and ceiling effects.

It may at first appear surprising that such seemingly straightforward questions remain unanswered, but the underlying reasons are not trivial. Because methodological issues characterizing individual studies have already been reviewed by others (for example, Brüderl & Preisendörfer, 1998), discussion here is confined to a macro-level consideration of theoretical underpinnings. The concept of social capital, which has contributed to our understanding of the entrepreneurial process immensely (Hansen, 2001; Menzies et al., 2000; Yli-Renko, Autio, & Sapienza, 2001), provides a useful starting point for understanding the nature of the research problem.

Social capital, defined as the ability of actors to secure resources by virtue of their location in a social structure or network (Adler & Kwon, 2002; Portes, 1998), has been hailed as one of the most salient concepts to emerge in the social sciences in the past 20 years (Lin, 1999). Nevertheless, disagreement and confusion surround the specific aspects of social relations that create social capital (Adler & Kwon, 2002), and several theoretical approaches have emerged to emphasize different properties and assumptions (Siebert, Kraimer, & Liden, 2001).

An important attribute shared by these various approaches is that they are all concerned with various aspects of networks, the study of which has been hampered by underlying assumptions that neglect the impact of human agency (Stevenson & Greenberg, 2000). Social networks are not exogenous but are rather created (Portes, 1998). In the course of treating personal networks as static, one denies the possibility for the deliberate expansion or reconfiguration of an entrepreneur's relationship structures despite empirical evidence that entrepreneurs do indeed make proactive, strategic alterations (Hansen, 2001; Jenssen, 2001). Consequently, studies that focus on a static,

preexisting network can omit important sources of support that may appear later in the entrepreneurial process.

Conceptually, the dual nature of social capital poses an additional difficulty for researchers. Social capital has been viewed as including not only the social relations that allow an entrepreneur to access resources possessed by others, but also the resources themselves that can potentially be mobilized through these relationships (Adler & Kwon, 2002; Portes, 1998). Traditional network research focuses on characteristics of network structure such as tie strength (Granovetter, 1973) and density (Burt, 1992) and assumes that resources flow through these social networks. In contrast, social resource theory (Lin, 1999) emphasizes the resources themselves while assuming that these resources are embedded in networks.

Regarding social capital simultaneously as both relationships and resources holds a certain degree of intuitive appeal, as it appears to offer a more complete picture of the key dimensions of resource acquisition. However, one must guard against diluting the concept to the point where it loses any distinct meaning. Equating social capital with resources actually obtained through such relationships can easily lead researchers to make tautological statements (Portes, 1998). Two cautions can be offered here. First, a systematic treatment of social capital should carefully distinguish between: (1) possessors of social capital (that is, those making claims, such as entrepreneurs); (2) the sources of social capital (that is, those agreeing to these demands, such as the supporters of entrepreneurs); and (3) the resources themselves (Portes, 1998). Second, it is helpful to remember that social capital is more about the resource potential (as measured by wealth, power, and status) embedded in a network (Lin, 1999) than it is about the actual resources (for example, information, loans, etc.) subsequently obtained.

A third, final limitation associated with the social capital perspective is that it tends to make explicit assumptions about the underlying motivations of resource providers. In particular, social capital has been viewed as the accumulation of chits or obligations stemming from the norm of reciprocity (Portes, 1998). In this context, social capital represents a form of goodwill (Adler & Kwon, 2002) that occurs in relationships characterized by trust and structural obligations. One important consequence of this is that resources that constitute social capital can be seen to represent only a portion of the total resources that might be assembled in the course of forming a venture. A more complete picture of the entrepreneurial process would include not only resources dependent on social capital but also resources acquired through transactions, economic and otherwise, with more conventional sources (Spear, 2000). Once again, the main point here is that the social capital perspective has proven immensely useful yet provides an incomplete picture of the resources and resource providers participating in the entrepreneurial process.

## **Research Questions**

We have identified a gap in the entrepreneurial support literature in the form of a focus on a limited range of sources or types of support. While this gap spans the entrepreneurial problematic, we illustrate how this may be addressed, at least in part, in the context of forming small new ventures. The extant literature on support in small new ventures has focused on a limited range of sources or types of support. The current study draws upon data that were collected as part of a larger study examining the nature of entrepreneurial resource mobilization. The current study does not attempt to test preestablished hypotheses; instead, the aim here is to explore the properties of the data set while making minimal assumptions in order to gain an understanding of the underlying structure of the



data with respect to the nature and composition of entrepreneurial support. The investigation is grounded in the context of three broadly structured research questions emerging from the earlier review of the support literature. Prior studies of support have focused on a narrow subset of supporters and have generally assumed that these sources are important or they have asked respondents to rate their importance *ex post facto*. In this exploratory study, which to our knowledge is the first of its kind, the entrepreneur is asked at the outset to identify the supporters whom s/he considered of key importance. We then proceed to investigate the resources provided by these valued supporters.

**Question 1:** Which sources of support are valued by entrepreneurs launching ventures and what resources are provided by these “key” supporters?

Research on social support suggests that the type of support provided depends on the source. Men are more likely than women to give advice or practical help, with the advice often being related to professional expertise. Social class also plays a part in the type of support provided, with middle-class men being more likely to provide advice than working-class men (Willmott, 1987).

**Question 2:** Are certain types of support associated with different sources and supporter characteristics?

Previous research has typically measured resources in terms of their quantity (Brüderl & Preisendörfer, 1998), and firms with larger resource bases are usually considered to be more robust. Support, however, can also vary in terms of quality (Bennett & Robson, 1999). According to the RBV, qualitative differences in the resources possessed by firms can lead to important sources of long-term competitive advantage. In a similar vein, social resource theory provides for the possibility of qualitative differences in resources by representing valued resources in terms of wealth, power, and status. These arguments point to the need for research to consider not only the quantity of support provided, but also the quality of support. In this study, the term “*support strength*” is used to reflect the overall value of the resources the entrepreneur is able to muster. This value is assumed to be a function of both the quantity and quality of the resources obtained.

**Question 3:** Do the quantity and quality of resources provided depend on the nature of the supporter relationship?

## Methodology

The study utilized a stratified random sample of 50 surviving firms incorporated in one Canadian province during 1993. The sampling frame was based upon the Registry of Deeds database of companies incorporated in one Canadian province during 1993. Data collection was conducted in 1996, allowing adequate time for the firm to move beyond start-up and survival stages and into the growth stage (i.e., to enhance the opportunity for performance variations between firms) while still maintaining a reasonable expectation that the entrepreneur would be able to recall with relative ease and accuracy his/her key supporters and the support they provided. Thus, the research addresses several but not all stages of a firm’s development. Within the phase framework recently discussed by Greve and Salaff (2003), for example, this study covers the motivation, planning, and establishment phases for many firms in the sample. A pilot study carried out in preparation for this investigation covered additional stages of firm development (e.g., mature firms; turn-around situations); these results are discussed elsewhere (Sooklal & Hanlon, 2002).

The original list of incorporations consisted of 1,547 firms, but after data cleaning, this was reduced to 1,365 potentially eligible firms. Selection criteria consisted of: (1) firms incorporated in the province in 1993; (2) new start-up (not operating prior to 1993); (3) independently owned and operated; (4) operating company (not a holding company); (5) profit oriented; (6) located within a specific provincial boundary; and (7) still in existence. Each of the remaining firms was designated as a sample element and assigned a sequential number and represented the sampling frame for the study. Determining whether or not a firm qualified (e.g., was still in existence and willing to participate, etc.) was exacerbated because the registry did not maintain contact information for these firms.

A random number table was used to select a random sample of 50 firms. If a firm could not be contacted, another randomly selected firm was contacted. Of the 381 sample elements employed in this process, 197 could not be contacted/located, leaving 184 candidate firms successfully contacted. Of these 184, 109 were eliminated based upon the previously given criteria, leaving 75 qualifying firms. Of the 75 qualifying firms, 50 were interviewed, providing a response rate of 67%. Although there were only three refusals, the response rate also reflects the difficulty of coordinating availability within the tight time frames necessitated by the extensive travel schedule associated with the research. Two participating firms were subsequently dropped from the sample because information received during the interviews revealed that they did not meet the original sampling criteria. The final sample consisted of 48 entrepreneurs.

Personal interviews were held with the lead entrepreneur of each firm in 1996. Employing the lead entrepreneur rather than the firm as the unit of analysis allowed us to achieve a stronger focus on the entrepreneur's role as an assembler of resources. Interviews were semistructured in nature and typically lasted 90–150 minutes. Tests for sample response bias with respect to gender ( $\chi^2 = .000$ ;  $p = 1.000$ ) and industry ( $\chi^2 = 6.084$ ;  $p = .193$ ) did not reveal evidence of significant differences.

Key supporters were defined as those individuals the entrepreneur considered to have been key to helping achieve his/her original goals for the business and were identified using a methodology adapted from Van Sonderen, Ormel, Brilman, and Linden van den Heuvel (1990). The method employed a visual aid with a previously demonstrated test–retest reliability of 82%. In the current study, the visual aid was used in order to delineate between key supporters (shown on the visual aid as an inner circle) and all people who provided support (shown on the visual aid as an outer circle).

Delineation of key supporters began by presenting the interviewee with the visual aid and explaining the meaning of the circles depicted in the diagram. The outer circle was described as referring to all those people who had helped the entrepreneur in some way, no matter how trivial, to achieve the enterprise s/he had desired. It was further explained that support could come in a variety of forms (not just from government) and could be tangible (as in the case of a financial loan) or intangible (as in the case of encouragement or advice), and trivial (as in the case of ordering check for a commercial bank account) or nontrivial (as in the case of landing a large customer). Support could also come from someone who was merely acting in the course of their duties (as in the case of a bank teller opening a commercial account) or from someone who had gone out of their way to assist (as in the case of a neighbor who appeared with a paint brush to help renovate the premises), and could represent services that were bought and paid for (as in the case of a lawyer who draws up articles of incorporation or registers the firm) or provided at no cost (as in the case of a family member who works in the business without a wage) or at less than market value (as in the case of a friend who prepares the firm's tax return for a fraction of the true cost). To summarize, the various categories of support described were:



- tangible versus intangible
- trivial versus nontrivial
- acting in course of duty versus going out of their way to help
- purchased versus free or provided at less than market value.

After reminding the interviewee that all the people who had provided any support whatsoever would be considered members of the outer circle, the interviewee was asked to now consider the inner circle on which the remainder of the interview would focus. The inner circle was described as referring only to those people whom the entrepreneur considered to be “key” in helping him/her to realize his/her original goals for the firm. The interviewee was told that only s/he could decide who belonged in the inner circle and that the interviewer had no preconceptions as to how many, if any, should be included as a member. Data on each key supporter were elicited concerning sex, location, occupation, his/her relationship with the entrepreneur, and the nature of support provided.

Within-methods triangulation, defined here as the employment of multiple (and ideally, maximally dissimilar) techniques within a given methodological paradigm in order to enhance internal consistency and reliability (Jick, 1979), was used extensively to minimize the potential for method effects (Cook & Campbell, 1979). In this study, despite the predominant reliance on a semistructured interview format, significant methodological variations were accomplished during the course of the 90–150-minute interviews (note: not all results are reported here) through the alternate use of multiple-choice questions, structured questions, open-ended questions, visual aids (including both attempts at visual depictions or illustrations and verbatim text reproductions of the interview format), requests for personal narratives (e.g., to provide validating examples of multiple-choice selections), and asking participants to read and complete written tasks, as well as introducing variations in question format and scale format (e.g., 5-point versus 7-point). Based on a prior literature review and on the results of an earlier pilot study, the maximum number of key supporters was restricted to six.

Three newly developed measures associated with the nature of supporter relationships require explanation. “Voluntaristic” ties consisted of relationships with (nonfamily) individuals with whom the entrepreneur indicated s/he would expect to continue to maintain a relationship if s/he no longer operated the business. “Intimate” ties represented relationships with “those friends or relatives whom you (*the entrepreneur*) feel are closest to you outside your home.” Both of these variables were dichotomous. A third relationship variable, “Compensation,” was measured by the following scale:

- 0 = supporter received no compensation whatsoever
- 1 = supporter provided support in the normal course of his/her job duties, receiving indirect compensation from his/her employer (for example, bank lending officer)
- 2 = supporter is an employee or a shareholder of entrepreneur’s firm
- 3 = supporter received direct fee for service from the entrepreneur (for example, lawyer).

Resources constituting the various forms of support described by entrepreneurs were coded according to the following categories:

1. advice
2. network contacts
3. sounding board
4. financial assistance

5. strategic information (not generally accessible by the public)
6. emotional support
7. extraordinary labor (at below market cost)
8. other.

Two measures were used to reflect the quantity and quality of received support. “Support Units” provided an indication of the quantity of resources provided by a supporter and was constructed by summing the number of different types of resources provided by an individual supporter. A binary scoring procedure was used to indicate which types of support were provided by a given supporter, with a score of 1 assigned to each category where support was provided and a score of 0 assigned to categories representing types of resources not provided. The binary scores for one supporter were subsequently summed across categories to provide an index of the quantity of support received from the supporter by the entrepreneur. It is important to note that there was no artificial ceiling placed on the number of “other” types of support included in the calculation of the index; in a hypothetical case where three distinct types of “other” assistance were provided in addition to, say, four predefined types, this supporter would receive a score of 7. The resultant Quantity of Support Score for a given supporter can be expressed algebraically as follows:

$$QSS_j = \sum_{v=1}^w R_v$$

where  $QSS_j$  = the Quantity of Support Score for the  $j$ th Supporter

$R_v$  = the binary score assigned to the  $v$ th category

$w$  = the number of categories of resource types

No restriction was placed on the number of “other” types of support that could be mentioned as long as they represented distinct forms of support. Consequently, there was no artificial ceiling imposed on the potential number of support types recorded for a particular entrepreneur.

We then proceeded to construct a composite index of the quantity of support received by each entrepreneur. Specifically, the number of types of support provided by each of the key supporters was summed across the various (key) supporters of an entrepreneur. Therefore, a total score of five units of support for an entrepreneur might indicate that one supporter provided advice and financial assistance (i.e., two units of support) and a second supporter provided emotional support, valuable network contacts, and financial assistance (i.e., three units of support). Although the resulting measure of support is not overly sophisticated, the data required are neither inordinately sensitive nor difficult to obtain, and the amount of support received can be quantified in a relatively objective fashion. Consequently, the development of the measure represents a significant advance in the operationalization and measurement of support and provides a new and more holistic basis for thinking about and discussing a potentially broad and diverse range of support that is consistent with the aims of the research.

The social power of a supporter was assumed to provide an indication of the quality of resources s/he provided. Social power stems from differences in status, which is a reflection of prestige (Weber, 1968). Occupations that are powerful and privileged are prestigious, and the differential control that various occupational groups exercise over scarce resources results in unequal access to the exercise of power (Guppy, 1984).

Occupational status was used as a surrogate measure of social power and was operationalized using Duncan's (1961) Socioeconomic Index for All Occupations. Occupational prestige has been shown to be remarkably stable over time, with correlations of .99 between 1947 and 1964 and .96 between the mid-1960s and 1989 (Nakao, 1992). Nakao, Hodge, and Treas (1990) identify a variety of factors that may have affected occupational prestige ratings since the publication of Duncan's seminal work. These include: (1) the growth and expansion of service occupations; (2) the rapid expansion of the information technology (IT) industry; (3) the rise in educational attainment; (4) the expansion of career opportunities for women; and (5) efforts to professionalize certain lower status occupations such as police officers. Nevertheless, Nakao provides compelling arguments that we should expect to observe only modest changes in certain occupations and that despite its shortcomings, the Duncan index remains state of the art (Nakao et al., 1990).

## Results

Of the 48 entrepreneurs comprising the sample, 9 were female and 39 were male. The majority was between 35 and 49 years of age. Sixty-three percent of the entrepreneurs had attended a postsecondary institution and 23% possessed a university degree. The mean firm size was 5.2 employees and on average, each entrepreneur had 80.3% ownership in the firm. A summary of the demographics for respondents and nonrespondents is presented in Table 2.

The size of the entrepreneurs' supporter network was defined as the number of supporters identified as having been key to the success of the realization of the

Table 2

### Demographics of Respondents and Nonrespondents

Category	Subcategory	Respondents		Nonrespondents	
		Frequency (n = 48)	Percent	Frequency (n = 24)	Percent
Gender	Male	39	81.25	20	83.3
	Female	9	18.75	4	16.7
Industry	Retail	8	16.7	4	19
	Manufacturing	1	2.1	1	5
	Construction	6	12.5	7	33
	Service	30	62.5	9	43
	Primary resource based /other	3	6.3	3	12.5
Age group	≤29 years	3	6.25		
	30–39 years	16	33.33		
	40–49 years	20	41.7		
	50–59 years	6	12.5		
	≥60 years	3	6.25		
Education	Did not complete high school	3	6.3		
	Completed high school	6	12.5		
	Completed vocational/trade school	19	39.6		
	University undergraduate degree	6	12.5		
	University graduate degree	5	10.4		
	Other	9	18.8		

Table 3

Supporter Distribution and Support Provided (n = 184)

Supporter distribution by type of relationship		Support provided by key supporters		
Supporter relationship type	Count	Type of support	Frequency	Percent of supporters
Family relation	82	Advice	124	67.4
Friend	22	Sounding board	117	63.6
Employee	5	Emotional	108	58.7
Customer	4	Other	66	35.9
Supplier	10	Financial	62	33.7
Professional advisor	10	Extraordinary labor	57	31.0
Bank	9	Network referrals	49	26.6
Government	18	Strategic information	26	14.1
Other	24			

entrepreneur’s original goals for the business. The key supporters identified by the 48 entrepreneurs comprised 184 individuals including 132 males (71.7%) and 52 females (28.3%). The typical key support system therefore consists of 3.83 supporters. The most frequent type of supporter relationship is family, followed distantly by friends and then government. Of note is the high frequency of the “other” category. Individuals in this relationship category were often either partners in the current or other prior businesses, or indirect network contacts. The supporter distribution and the support provided are summarized in Table 3.

Key supporters provide a diverse range of support, with intangible or “soft” support such as advice, serving as a sounding board and emotional support occurring most frequently (Table 3). A closer inspection of the surprisingly important “other” category (ranked fourth in frequency) revealed additional types of support in the form of sales referrals, word-of-mouth promotion, barter and in-kind arrangements, and a host of less tangible support such as exceptional employee dedication.

On average, a key supporter provides 3.31 types of support and an entrepreneur receives 5.48 types of support from his/her network of key supporters. In total, entrepreneurs receive an average of 12.68 units of support from this network, which can be calculated as the product of the mean number of supporters in a support system and the mean number of types of support provided by an individual supporter. Preliminary checks revealed no significant relationships between the strength of received support (that is, as measured by quantity and quality) and the entrepreneur’s age, education, industry, or prior occupational status.

In the case of male supporters, 31.1% provide network contacts, as compared to only 15.4% of female supporters. Females are more likely than males to provide financial support, with only 29.5% of male supporters providing financial support compared to 44.2% of female supporters. Females also have a greater tendency to provide emotional support, with 73.1% of female supporters providing emotional support versus only 53% of males. Of supporters who are relatives of the entrepreneur, 71.6% serve as a sounding board compared with only 57.3% for nonrelatives. Financial support is more likely to

come from relatives (45.7%) than from nonrelatives (24.3%). Strategic information appears to come from nonrelatives (20.4%) more than from relatives (6.2%). Relatives (71.6%) provide significantly more emotional support than nonrelatives (48.5%). Extraordinary labor is more likely to be provided by relatives (49.4%) than nonrelatives (16.5%). Employees also contribute significant levels of extraordinary labor (77.8%) compared to nonemployees (19.6%). Shareholders (59.5%) are more likely than nonshareholders (27.2%) to provide financial support (although significant love money exists, as indicated by high investment by nonshareholders).

The results of tests for relations between the nature of supporters and the types of support they provide are presented in Table 4. The nature of relationship ties also appears to be a useful predictor of the type of support provided. Individuals providing assistance on a fee-for-service basis are less likely to provide additional support in the form of network referrals, financial assistance, extraordinary labor or emotional support. Voluntary ties are much more likely to serve as a sounding board and to provide emotional support and extraordinary labor. Finally, intimate ties are less likely to provide network referrals and strategic information and are more likely to serve as a sounding board and to provide emotional support and extraordinary labor.

Table 5 summarizes the results of tests for relations between support strength and supporter characteristics, including gender and relationship type. Male supporters tend to be of higher occupational status than female supporters. Supporters who are family relatives hold lower occupational status than nonrelatives. Employee supporters tend to be of a lower occupational status than nonemployee supporters, but employees also supply more support than nonemployees. Shareholders tend to be of a lower occupational status than nonshareholder supporters (probably due to the presence of spousal shareholders), but shareholders provide more support. Voluntary ties also tend to be of a lower occupational status, but they also provide significantly more support than their nonvoluntary counterparts. Similarly, supporters characterized by intimate ties tend to be of a lower occupational status than nonintimate supporters.

Table 6 presents the results of additional tests for relations between supporter characteristics and support strength. The occupational status of supporters appears to increase as one moves beyond the immediate vicinity of the entrepreneur (beyond 10 km/6.2 miles). The occupational status of the supporters also increases as one moves beyond immediate family, friends, and employees to more distant relationships with suppliers, professional advisors, and bankers. Entrepreneurs acquire significantly more resources from closer relationships than from distant relationships. When compared to other distant relationships such as those associated with government agencies, banks perform very poorly in terms of the quantity of support they provide. Higher quality resources are associated with supporters who are financially compensated for the services they provide, either directly by the entrepreneur (for example, consultants) or indirectly by the service provider (for example, banker, government agency). A significantly higher quantity of support is provided by individuals inside the firm receiving salary or dividends as compared to the level of support provided by individuals receiving direct payment for specific services (for example, consultants).

## Discussion

Entrepreneurs in this study rely on a relatively close network of key supporters who provide a broad range of support. The heavy reliance on family and friends is consistent with previous research. The majority of support received by entrepreneurs appears in the

Table 4

Relations between Supporter Characteristics and Type of Support: Cross-tabulations

Type of support									
	Pearson Chi-square	Advice	Network	Sounding board	Financial	Strategic information	Emotional	Labor	Other
Gender	Chi	.509	4.692	1.792	3.601	8.902	6.184	2.999	.820
	<i>p</i>	.475	.030	.181	.061	.003	.011	.083	.365
Relative	Chi	2.112	3.503	4.018	9.301	7.552	9.946	22.923	2.449
	<i>p</i>	.146	.061	.045	.002	.006	.002	.000	.118
Employee	Chi	.803	.445	.183	1.273	.237	1.173	45.846	2.299
	<i>p</i>	.370	.505	.669	.259	.626	.279	.000	.129
Shareholder	Chi	.576	.004	6.122	13.760	2.906	15.283	48.665	4.807
	<i>p</i>	.448	.951	.013	.000	.088	.001	.000	.043
Compensation	Chi	4.231	7.513	8.359	10.667	4.326	17.781	79.056	5.665
	<i>p</i>	.238	.057	.039	.014	.228	.000	.000	.129
Voluntary	Chi	1.393	.779	11.577	.034	.425	17.865	7.201	.006
	<i>p</i>	.238	.377	.001	.854	.514	.000	.007	.938
Intimate	Chi	.081	4.821	7.747	.867	6.893	11.546	14.675	3.952
	<i>p</i>	.776	.028	.005	.352	.009	.001	.000	.047



Table 5

Relations between Supporter Characteristics and Support Strength: *t*-test Results

Grouping variable	Dependent variable	Group 1 mean	Group 2 mean	<i>t</i> -value (*)	df	Sig. (two-tailed)
Gender	OccStat Sup. units	(male)	(female)			
		56.22	44.87	2.291 *	80	.025
Relative	OccStat Sup. units	(no)	(yes)	-.734	182	.464
		62.06	41.22	5.054 *	131	.000
Employee	OccStat Sup. units	3.15	3.56	-1.770	182	.078
		(no)	(yes)			
Shareholder	OccStat Sup. units	56.94	36.37	4.043	179	.000
		3.22	3.78	-1.941	182	.054
	OccStat Sup. units	(no)	(yes)			
		54.97	44.89	1.936	179	.054
Voluntary	OccStat Sup. units	3.11	4.19	-3.885	182	.000
		(no)	(yes)			
Intimate	OccStat Sup. units	64.65	50.26	3.497 *	72	.001
		2.42	3.53	-3.908	182	.000
	OccStat Sup. units	(no)	(yes)			
		61.65	46.68	3.915	176	.000
		3.130	3.47	-1.443	182	.151

\* Asterisk indicates that equal variances have not been assumed.  
Sig., significance; OccStat, occupational status; Sup. units, support units.

Table 6

Relations between Supporter Characteristics  
and Support Strength: Analysis of Variance  
(ANOVA) Results

Factor	Dependent variable	df	<i>F</i>	<i>p</i>
Geographic proximity	OccStat	6,174	2.321	.035
	Sup. units	6,177	.795	.575
Relationship	OccStat	8,172	6.841	.000
	Sup. units	8,175	1.818	.077
Family relation	OccStat	7,71	4.176	.001
	Sup. units	7,73	1.896	.082
Compensation	OccStat	3,177	10.478	.000
	Sup. units	3,180	4.989	.002

form of intangibles such as emotional support or acting as a sounding board, with tangible support occurring less frequently. High levels of uncertainty and ambiguity surrounding the start-up phase likely necessitate the need for multiple and regular infusions of the intangibles. The acquisition of tangible resources such as financial assistance, while in constant demand, often requires the entrepreneur to incur costs and expend significant effort, so these efforts are likely to be more focused. Sources of financial resources are limited and finite whereas intangible support may be provided in an inexhaustible supply by particularly good supporters.

The high number of support units that draw upon softer, intangible support seems consistent with recent views concerning the importance of tacit knowledge in developing resource configurations that contribute to competitive advantage (Sirmon & Hitt, 2003). Entrepreneurs employ the sounding board process extensively even though the process is often unlikely to provide clear, definitive answers and also requires a considerable personal investment of time and energy. Similarly, although there has been considerable attention directed at the potential importance of advice in prior research, the focus has tended to be on normative benefits of advice provided by experts and professionals. Our findings point to the potential for the entrepreneur to develop unique tacit knowledge during the sense-making process as s/he grapples with the more idiosyncratic advice of a wider variety of inputs.

The lower occupational status of the group of supporters surrounding the entrepreneur during start-up is indicative of the reliance on the informal network that the entrepreneur already has in place. Diverse requirements during the start-up phase combined with limited financial resources available during this period may force the entrepreneur to utilize resources immediately available for little or no cost when s/he cannot afford to hire the support needed. This is consistent with findings by Starr and MacMillan (1990), revealing the entrepreneur's ability to complete tasks at minimum costs. This study further supports their research by demonstrating that the entrepreneur is able to extract more work from unpaid sources than paid sources. Such a strategy may be well suited during the start-up phase when highly specialized knowledge needs to be obtained cost-effectively and quickly. Drawing in earlier stages upon the entrepreneur's own specialized knowledge and that of supporters who have been recruited to effectively volunteer

their services is one such approach to maximizing the benefits from specialized knowledge that is purchased later on in the company's development. The ability of the entrepreneur to convince others of the worthiness of the venture, and therefore attract volunteers, is a critical preliminary skill that should be acquired before formal sources of support are approached.

Despite a predominant reliance on family and friends (57% of supporters), it is notable that the entrepreneur's support system also includes a considerable proportion (43%) of more distant and more costly relationships. Minimizing transaction costs is therefore not the sole objective of the entrepreneur during the process of garnering support. Instead, entrepreneurs must also maximize the odds of survival, requiring that s/he take into account not only the quantity but also the quality of resources obtained. Free but inappropriate advice could spell disaster for the firm. The problem, moreover, is constrained by the amount of time, effort, and financial resources the entrepreneur has available. In sum, a key challenge for the entrepreneur is to maximize the overall strength of the received support constituting the resource base. In doing so, the entrepreneur is confronted with somewhat of a dilemma, as it was observed earlier that support from sources with an abundant supply tended to be lower in quality than support from sources from which assistance was more costly and more difficult to acquire. Maximizing the overall impact of support can therefore be considered as a complex undertaking, with strategic implications for the long-term competitiveness of the firm.

## **Limitations and Conclusions**

An assumption of this study is that a supporter's occupational status provides a useful indication of the quality of received support. Although prior research suggests that this assumption is likely reasonable (MacKinnon & Langford, 1994), the current indicator provides at best only one measure of what is certainly a multidimensional and complex construct. A second limitation surrounds the small sample size and its associated low statistical power, particularly in the case of multilevel variables that result in small cell sizes. Several steps were taken to minimize the problems associated with a small sample, however. Considerable effort and rigor were incorporated into the development and design of the sampling frame in order to ensure the geographic representativeness of the sample. In addition, the study was designed to maximize the variance observed on the measured variables. The data from this study were derived from the fourth phase of a larger cumulative program of research in which earlier stages were employed to develop, pretest, and refine the instrumentation and procedures that appear in the research reported here. These preparatory stages are reported more fully by Sooklal and Hanlon (2002). These efforts appear to have been at least partially successful, as the study demonstrated considerable effectiveness in revealing a number of potential relationships despite a relatively small sample. A third limitation stems from a reliance on retrospective recall; the potential for serious threats here, however, are minimized through the focus on "key" supporters rather than all individuals who provided support. A final limitation concerns the regional research setting, which is characterized by some distinctive features in terms of geography, culture, and economy. In particular, the region was experiencing a significant economic transition at the time of the study. Although the nature and direction of the relationships we identified should apply to other settings (especially rural and other environments considered to be lacking in munificence due to a scarcity of resources), it is difficult to assess the extent to which the study findings are generalizable to other regions.

The study makes several contributions. First, the study provides an organizing framework or map for examining entrepreneurial support in a more systematic fashion. Second, the study presents methodological innovations that facilitate the study and discussion of support from a more holistic perspective. Although case studies have helped to shed light on the myriad of support accessed by entrepreneurs and the ingenuity they employ in assembling these resources, empirical studies to date have been less successful at demonstrating the volume and breadth of entrepreneurial support, resulting in a fragmented understanding. Third, the study provides initial evidence of the support valued by entrepreneurs during the start-up stage. Although the acquisition of financial and other “hard” assets is undeniably essential to firm start-ups, in comparison to these more tangible resources, entrepreneurs appear to require relatively massive amounts of intangible assistance in a broad variety of forms. In particular, the importance of emotional support, which has been mentioned but not demonstrated in the literature, has been shown to feature prominently in the support strategies of entrepreneurs. A fourth contribution of the study is to highlight the complexity of the process of garnering support. While prescriptions to entrepreneurs have included the importance of networking, acquiring support, and even the value of weak ties, with the exception of financial resource acquisition, these prescriptions often amount to little more than “be creative and get all the help you can.” Simplistic prescriptions assume that the process of maximizing support is relatively straightforward. The results of this study, however, suggest that the problem of maximizing the overall effectiveness of support entails considerable complexity, involving conflicts and trade-offs between the quantity versus quality of received support and the efficiency versus effectiveness of potential support providers. For example, it may be most effective for the entrepreneur to draw upon high-quality support from professionals with specialized knowledge (e.g., angel investors with direct experience in the entrepreneur’s industry). Given the time and money it would take to secure this resource, however, it may be more efficient to draw upon potentially lower quality but readily available support from family and friends (e.g., love money with more tertiary advice).

The RBV has been instrumental in directing our attention toward the role of resources as potential sources of sustainable competitive advantage for the firm. Furthermore, social capital has served as a sensitizing device to the intervening effects that an actor’s position within a social structure or network can have on his/her ability to secure resources. What is often lost in these discussions, however, is that for potential sources of sustainable competitive advantage to emerge as a realized advantage that provides above-normal economic rents, the firm must be organized to exploit that opportunity (Sirmon & Hitt, 2003). It is in the context of organizing to exploit these resources where the salience of the entrepreneur’s role in marshaling resources from supporters is most evident.

The RBV and social capital perspective tend to be applied with an emphasis on the role of structural considerations, while both theoretical perspectives allow for considerable agency on the part of the entrepreneur in practice. Giddens’ (1984) structuration theory may offer a theoretical perspective to reframe this dualism in order to understand how structure both constrains and enables the actions of the entrepreneur. In this regard, the empirical investigation presented here furthers the conceptualization of entrepreneurship as an embedded socioeconomic process (Jack & Anderson, 2002). Furthermore, the conceptualization of the entrepreneur navigating within a sea of intangible support that surrounds islands of tangible resources is consistent with Polanyi’s (1966) conceptualization of knowledge as simultaneously expressing tacit and explicit dimensions that are inseparable in practice. Similarly, the findings provide indirect support for Sirmon and Hitt’s (2003) proposition that entrepreneurs require significant levels of tacit knowledge, which they garner from intangible support embedded in human capital. Our results

suggest that future research on the entrepreneurial process may benefit from drawing upon the knowledge management literature as a theoretical basis for understanding the knowledge management practices employed by entrepreneurs in marshaling resources.

Further research is needed along several lines. Studies of other populations are necessary to establish the generalizability of the findings across different environments. Additional research is also required to better understand the processes utilized by entrepreneurs to build support and the decision-making strategies employed within these processes. The entrepreneur's initial motivations, for example, are likely to affect the resource acquisition strategy employed (Chrisman, Chua, & Zahra, 2003; Korunka, Frank, Lueger, & Mugler, 2003). Finally, research should be directed at examining the implications of different support strategies and configurations and the implications these may have for subsequent performance.

The results of the study have several practical implications, which, in view of the exploratory nature of the investigation, must be regarded as tentative and qualified by the limitations of the study. First, instead of advising entrepreneurs to first complete a business plan and then to go out and seek support, it may be more appropriate to advise entrepreneurs to begin seeking support earlier on in the process, as much of the support valued and sought by entrepreneurs is likely to be beneficial and occasionally necessary in maximizing the effectiveness of the business planning process. Whereas the business plan writing is often seen as a means of garnering support for the business (e.g., secure funding, partners, investment), our findings suggest that the support cycle likely begins much earlier (and at a more intangible level), so our advice is for the entrepreneur to seek a portfolio of support before embarking on the business plan in order to maximize the effectiveness of such efforts. Second, entrepreneurs themselves should be encouraged to think strategically about the process of acquiring support, taking into account the quality of resources. Maximizing the effectiveness of support will require the entrepreneur to incur costs, and consequently, these should be incorporated into the budgeting process rather than being maintained as an *ad hoc* activity. A dogged focus on tangible resources may prove detrimental if such a strategy negates adequately addressing intangible support requirements. Finally, the results of this study offer preliminary support for the potential to provide entrepreneurs (and their advisors) with prescriptive counseling and recommendations capable of enhancing the resource base of new ventures.

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