

Theses and Dissertations

---

2013

## Entrepreneurial success and the roles of social capital and social effectiveness: a look into the Young Presidents' Organization

Michael Wojciechowski

Follow this and additional works at: <https://digitalcommons.pepperdine.edu/etd>

---

### Recommended Citation

Wojciechowski, Michael, "Entrepreneurial success and the roles of social capital and social effectiveness: a look into the Young Presidents' Organization" (2013). *Theses and Dissertations*. 348.  
<https://digitalcommons.pepperdine.edu/etd/348>

This Dissertation is brought to you for free and open access by Pepperdine Digital Commons. It has been accepted for inclusion in Theses and Dissertations by an authorized administrator of Pepperdine Digital Commons. For more information, please contact [bailey.berry@pepperdine.edu](mailto:bailey.berry@pepperdine.edu).

Pepperdine University  
Graduate School of Education and Psychology

ENTREPRENEURIAL SUCCESS AND THE ROLES OF SOCIAL CAPITAL AND  
SOCIAL EFFECTIVENESS:  
A LOOK INTO THE YOUNG PRESIDENTS' ORGANIZATION

A dissertation submitted in partial satisfaction  
of the requirements for the degree of  
Doctor of Education in Organizational Leadership

by

Michael Wojciechowski

June, 2013

Farzin Madjidi, Ed.D. – Dissertation Chairperson

This dissertation, written by

Michael Wojciechowski

under the guidance of a Faculty Committee and approved by its members, has been submitted to and accepted by the Graduate Faculty in partial fulfillment of the requirements for the degree of

DOCTOR OF EDUCATION

Doctoral Committee:

Farzin Madjidi, Ed.D., Chairperson

Jack McManus, Ph.D.

Fred Petro, Ph.D.

© Copyright by Michael Wojciechowski (2013)

All Rights Reserved

## TABLE OF CONTENTS

	Page
LIST OF TABLES .....	vi
LIST OF FIGURES .....	vii
ACKNOWLEDGMENTS .....	viii
VITA .....	x
ABSTRACT .....	xi
Chapter 1: Introduction .....	1
Introduction .....	1
Entrepreneurialism .....	2
Social Capital .....	4
Social Effectiveness .....	6
Young Presidents' Organization .....	8
Statement of the Problem .....	10
Statement of the Purpose .....	10
Research Questions .....	11
Key Definitions .....	12
Limitations of the Study .....	13
Summary .....	15
Chapter 2: Review of the Literature .....	16
Introduction .....	16
Studies of Entrepreneurs .....	16
Evolution of the Term "Social Capital" .....	17
Evolution of Social Capital Theories .....	21
Components of Social Capital .....	25
Social Effectiveness .....	31
Young Presidents' Organization .....	43
Research Questions .....	44
Summary .....	46
Chapter 3: Methodology .....	48
Introduction .....	48
Research Design and Approach .....	48
Setting and Sample .....	48
Instrumentation and Materials .....	49
Validity and Reliability .....	54

	Page
Data Collection .....	55
Data Analysis .....	58
Chapter 4: Results .....	61
Answering the Research Questions .....	68
Chapter 5: Discussion .....	72
Introduction.....	72
Discussion of Results .....	72
Recommendations for Future Research .....	81
Limitations of Current Study .....	83
Contributions to the Literature.....	84
Conclusion .....	86
REFERENCES .....	88
APPENDIX A: YPO Membership Qualifications .....	99
APPENDIX B: Letter to Expert Panel and Modified Instrument.....	104
APPENDIX C: Deal Communication Policy .....	109
APPENDIX D: Informed Consent Narrative.....	111
APPENDIX E: Human Subjects Protection Training Certificate of Completion.....	112

## LIST OF TABLES

	Page
Table 1. Summary of Theories and Theorists .....	26
Table 2. Data Analysis Chart.....	59
Table 3. Scale for Variables .....	60
Table 4. Frequency Counts for Selected Demographic Variables .....	61
Table 5. Descriptive Statistics for Selected Demographic Variables.....	62
Table 6. Descriptive Statistics for Level of Support Sorted by Highest Mean Rating....	63
Table 7. Descriptive Statistics for Social Capital Active Maintenance Categories Sorted by Highest Mean .....	64
Table 8. Descriptive Statistics for Percentage of the Groups Interact or Know Each Other Sorted by Highest Mean.....	64
Table 9. Descriptive Statistics for the Political Skills Inventory Statements Sorted by the Highest Rating .....	65
Table 10. Descriptive Statistics for Venture Success Variables Sorted by Highest Mean.....	67
Table 11. Psychometric Characteristics for Summated Scale Scores .....	67
Table 12. Prediction of Total Venture Success Based on Selected Variables: Stepwise Multiple Regression .....	71

LIST OF FIGURES

	Page
Figure 1. Theoretical model.....	45



## ACKNOWLEDGMENTS

Like any good athlete after winning the “big game,” I feel like my first expression of gratitude should be to thank God. Philippians 4:13 says that “I can do all things through Christ which strengthens me”. And at my age, I needed the extra strength.

Secondly, I was the beneficiary of a wonderful, caring faculty at Pepperdine. Dr. Farzin Madjidi, my Committee Chair, is the true heart and soul of the program. He is a servant-leader exemplified. Dr. Jack McManus, on my Committee, is the memory and conscience of the program and a superior intellect. Dr. June Schneider-Ramirez is a brilliant program director with a wonderfully dry, sneaky sense of humor. Had I been short-sheeted in China, I would have looked for her as the culprit. Dr. Fred Petro, also on my Committee, is a friend and link to my undergraduate days at the University of South Alabama where he was the toughest professor I had ever had. We’ve shared that connection for almost 40 years. He is truly a “professor’s professor” and a wonderful person.

This is never a solo journey and I was very lucky to develop some wonderful friends during this process. Christie, Kristen, and Dean were my study-buddies; John Danhakl, Eric Schiffer, Brett Brewer, Jeff Lapin and Steve Fazio provided advice and access to the major companies that they ran; Business partners Frank McEnulty and Robert Wang allowed me to devote the time necessary to complete this program as well as constant encouragement.

And finally, but certainly not last in my heart, are my wife Mav and my children, Madison and Mason. Career, success and money are no real and lasting measure of a life well lived; but family certainly is. Mine mean everything to me and without them, I’d be

nothing. They are my constant motivation and joy and I love them more than life itself.

So, to make the round trip to a conclusion, God has blessed me with family, mentors, friends and strength. Amen.

## VITA

## EDUCATION

Pepperdine University, Ed.D. in Organizational Leadership	2013 (anticipated)
University of South Alabama, MBA, emphasis in Finance	1981
University of South Alabama, Bachelor of Science, concentration in Marketing	1978

## EMPLOYMENT EXPERIENCE

Castle Partners, LLC	1989-Present
Founder/Managing Member	

- Involved in the acquisition, structuring, and development of real estate for public and private investment.
- Analyze, direct the analysis of, structure and co-develop over \$8.0 billion in real estate, leading to over \$3.0 billion in investor funds being raised
- Created in excess of 60,000 apartment units, all targeted for families in the affordable range through the Section 42 Low Income Housing Tax Credit program.
- Projects built in over 15 states.

## BOARD MEMBERSHIPS

## Our Castle Fund Advisors

- Invests in defaulted mortgages for the purpose of helping low, moderate, and workforce income homeowners be able to stay in their homes

## A.D.A.M., Inc.

- An iPhone application and development company

## The Man in the Arena, LLC

- An originator of literary programming that emphasizes true stories of courage and leadership

## DailyMedia, LLC

- An online one-on-one relationship based marketing company that currently publishes four newsletters: DailyOm Inspiration, DailyOm Horoscope, DailyOm Music, and DailyOm Gift of the Week with approximately 1,000,000 active subscribers

## Kalyx, Inc.

- A company that produces sports-wear for active women

## OTHER MEMBERSHIPS

## World Presidents' Organization

- Current member
- Chapter chair for 2011-12

## Young Presidents' Organization

- Past member for 10 years
- Served as Santa Monica Bay Chapter Chair (2003-04)

## ABSTRACT

Previous research has indicated that social capital and social effectiveness may have positive influences on entrepreneurial venture success. While the concept of social capital has been a popular topic in research fields, including both social science and economics, few empirical studies have considered the effect of both social capital and social effectiveness in conjunction with the success of ventures created by entrepreneurs. The Young Presidents' Organization (YPO) is a worldwide organization created in 1950 to provide education and support for executives who found themselves in leadership positions with few peers. Today that organization has grown to over 18,000 members. This study surveyed the members of YPO and examined their social capital structure and their social effectiveness utilizing the Political Skills Inventory instrument, and compared both variables with various levels of success metrics. The research first looked at demographic characteristics of these entrepreneurs and compared them to components of success. Next it examined the various components of the founders' social capital for strength, mix, and density and any correlations with the metrics of success. Then it administered the Political Skills Inventory to determine the respondents' social effectiveness, which was then analyzed for correlations with success metrics. Finally, the research compared demographics, respondents' social capital, and their social effectiveness with the success metrics to seek out any statistically significant correlations.

This study does provide some additional empirical support for the idea that social effectiveness can help further an entrepreneur's success in his/her business venture. The statistical results indicated that higher levels of social effectiveness in 2 core components (*social astuteness* and *interpersonal influence*) are positively correlated to venture

success. And even though no correlations were found between social capital, social effectiveness, and venture success, previous literature and common sense would indicate that they may still exist.

## **Chapter 1: Introduction**

### **Introduction**

Baron and Markman (2000) assert that entrepreneurs are able to open doors and gain access to people and information by utilizing two factors: their social capital (actual and potential resources gained through having a favorable reputation, high status and personal referrals) and, once inside those doors, their social skills (their ability to interact effectively with others). In a recent study, Baron and Tang (2009) found that entrepreneurial social skills positively influenced new venture performance. Entrepreneurs' skills produce these effects through at least two variables: their effectiveness in acquiring information and essential resources.

Researchers have long recognized that entrepreneurship and innovation are important engines of the world's economic growth. Drucker (1985) has argued that innovation is the "specific tool of entrepreneurs" (p. 19) and the ways in which change and innovation are brought to the marketplace. Entrepreneurship is a vital element of well-functioning economies, and economists who wish to describe the real world and inform decision-makers should possess a thorough understanding of the individual entrepreneur (Block & Koellinger, 2009).

This dissertation will examine successful entrepreneurial venture founders and investigate: their social networks, how those social networks were utilized in their pursuit of success, and relationships (if any) between the various components of their social capital as well as how they might relate to the individual entrepreneurs' level of social effectiveness. The research will focus on members of the Young Presidents' Organization (YPO), an international professional association of executive level business people,

numbering in excess of 18,000 members. As the entrepreneurs' connections, networks, and social skills were examined, insights emerged that will assisted and paved the way for other entrepreneurs in their attempts to create successful new ventures.

This dissertation will first examine what entrepreneurialism is and why a closer scrutiny of this subject will prove fruitful for researchers. Next, social capital will be investigated as a concept and as a prospective tool in creating or enhancing venture success, and social effectiveness will be studied as a competency in potentially being additive to the entrepreneur's social capital. Finally, entrepreneurial members of the YPO will be studied in order to understand how they have used social capital and social effectiveness to achieve entrepreneurial success.

### **Entrepreneurialism**

French in origin, the term entrepreneur was little used prior to the development of the field of economics. The term is derived from the French word *entreprendre*, which can be translated to mean *to undertake*. The literal meaning, as applied in early literature, is the person who organizes, operates, and assumes the risk for a business venture (Lowrey, 2003). There is a dispute as to who originally coined the term entrepreneur but an imprecise definition appeared in Savary's *Dictionnaire Universel de Commerce* in 1723 (Hébert & Link, 2009).

In her article on economic heroes, Habiby (2009) states:

Dynamic entrepreneurs, the type who want to create new products that change the way we live, have a relentless passion for the possible. Their ideas form the building blocks of job creation and innovation... There is a universal, inborn entrepreneurial spirit – the spirit of creators, explorers and inventors. We are drawn to entrepreneurs because they have in them the DNA of hope, the belief that the best ideas are ahead of us. (p. 44)

Metcalf (2004) asserts that entrepreneurs believe something that no one else believes and do so with strength sufficient to act upon that belief and to commit resources to develop it.

Entrepreneurialism is an activity that spans every field of endeavor from business to education to government (Clouse & Miller, 1996). It has long been part of the American dream, and one of the things that sets America apart from the rest of the world, that anyone who is willing to take a chance and work hard can be successful.

Entrepreneurship is considered a vital element of properly functioning economies (Block & Koellinger, 2009). Entrepreneurialism is at an all-time high as Americans react to a marketplace that is more demanding and reacts faster than at any previous time in U.S. history.

The literature seems to have taken for granted that even if entrepreneurs are not in complete control of the U.S.'s economic destiny, they have the power to influence its direction as few other groups can (Baumol, 1993). Entrepreneurs are the catalysts and innovators of change (Ernst, 2008). Metcalf (2004) notes that entrepreneurship is at the heart of the understanding of a restless economy, "just as knowledge creates further knowledge so entrepreneurship creates further entrepreneurship through the institutions of the market economy" (p. 174). However, when the economy slows down or when there are gaps in economic growth, theorists typically blame entrepreneurs (Baumol, 1990).

Lowrey (2003) describes two major research camps when it comes to understanding entrepreneurs from a theoretical perspective: (a) those that pursue answers looking at microeconomic theories such as personal traits, labor and management of



physical assets; and (b) those that look at macroeconomic theories that focus on entrepreneurs as figures that impact the economic growth and development of the outside world.

Entrepreneurial small businesses employ over half of the nation's nonfarm workers and contribute a majority of the net new jobs created each year. Additionally, as leaders of innovation, they produce more than 13 times more patents than large firms on a per employee basis (U.S. Small Business Administration, n.d.).

Founders of new ventures have considerable obstacles to overcome in creating a successful venture, including resource constraints, lack of legitimacy, and competitive threats (Aldrich & Ruef, 2006; Carroll & Hannan, 2000; Stinchcombe, 1965). To overcome these issues, entrepreneurs may be able to obtain support from their network of relationships (Reynolds & White, 1997). Further, successful entrepreneurs utilize their contacts and connections to decrease their transaction costs by concentrating information and resources in their social networks (Mitton, 1989).

### **Social Capital**

In his 2005 article *The Economics of Social Capital*, Partha Dasgupta states that the idea of social capital “sits awkwardly in contemporary economic thinking” (p. 1). He believes that even though the term social capital has a very powerful and intuitive appeal, it has been difficult to measure as an economic good. Even so, social capital is a topic that has become increasingly popular in research in the fields of economics and the social sciences. Kanazawa and Savage (2009b) state that, in the International Bibliography of the Social Sciences, the key words *social capital* yield 3,774 articles since 2001 in

contrast with 3,835 articles under the much older topic of *human capital* and only 168 articles under *physical capital* for the same period.

Portes (1998) asserts that the novelty and fascination with social capital comes from two places: (a) the attention and focus on the positive aspects of sociability while largely ignoring the negative features and (b) the fact that it places the positive aspects into a framework of discussion about capital that compares power and influence with money and stock holdings.

In a 24/7 world and a global economy, relationships impact every economic transaction. However, what really needs to be understood is not just whether they matter, but also how much and in what circumstances should they matter (Robison & Ritchie, 2010). Ultimately, social capital is about the value of connections and information (Maak, 2007). It connects people or groups in social networks that create mutual influence and goodwill, and improve information quality and relevance.

Social network researchers have taken the lead in attempting to formalize and measure empirically those theories related to social capital because they regard relationships or ties that connect people and groups as the basic data for analysis (Seibert, Kraimer, & Liden, 2001). In their study of CEOs and the effect of social capital and compensation, Belliveau, O'Reilly, and Wade (1996) determined that social capital (as measured by amount and prestige of social resources) contributed to higher salaries.

Fischer (1977) tells the following story of Albert Einstein in his 1977 analysis of personal networks:

When Albert Einstein completed his university studies in 1900, he could not obtain a job appropriate to his training, in part because he had so antagonized his professors that they would not hire or help him. After more than a year of searching and temporary employment, Einstein applied for a post at the Swiss

Patent Office and was a few months later called to Zurich for an interview with the office director. In spite of an inadequate performance during the interview, Einstein was hired. As it turns out, the director was an intimate friend of the father of Marcel Grossman, a good friend and former classmate of Einstein. The appointment was no doubt a favor from the director to the Grossmans. Einstein's major scientific insights occurred during his several years at the Patent Office. (p. 19)

De Graaf and Flap (1988) assert that there are situations where one may be able to utilize his/her social network through the accumulation of social capital, yet this illustration demonstrates a certain level of ineffectiveness on Mr. Einstein's part. Mr. Einstein was able to obtain a job only through his friend and classmate due to the fact that his socially ineffective behavior had reduced his other options.

The ability to read people accurately, make a good first impression, and persuade or influence them often leads to the development of social capital; understanding the role of social skills will contribute to an understanding of the origins and impact of social capital (Baron & Markman, 2000). Baron and Markman (2000) view social capital as a resource that can be accumulated, and assert that social skills, such as interacting well with others, can strongly influence one's amount of social capital.

### **Social Effectiveness**

Social interaction is fundamental to living a functional and normal life, as well as being effective in a work environment. While social dynamic processes have been an active area of study for many years, social and organizational researchers are now seeing a substantial increase in social effectiveness constructs and a clear convergence in thought (Ferris, Perrewe, & Douglas, 2002). The large body of research findings represents measures from multiple disciplines, including organizational behavior and human resource management. These findings indicate that social skills (skills that are

useful to individuals interacting with others) exert a strong influence on important outcomes in many situations (Baron & Tang, 2009). Social effectiveness can be considered a somewhat broad category that includes a number of specific constructs, including: (a) social intelligence, (b) emotional intelligence, (c) practical intelligence, (d) self-monitoring, (e) social skill, (f) social competence, (g) political skill, (h) ego resiliency, (i) interpersonal intelligence, (j) sociopolitical intelligence, (k) interpersonal acumen, (l) functional flexibility, and (m) social self-efficacy (Ferris et al., 2002).

Many academicians share the perspective that organizations are, in effect, political arenas. He suggests that political skill, or the ability to influence through persuasion, manipulation, and negotiation, is the key skill to excel as a socially effective individual (Mintzberg, 1983). In a formal sense, the scientific study of individual differences in social capabilities began in 1920 when E. L. Thorndike discussed the notion of social intelligence in an article for Harper's Magazine (Heggestad, 2008). In Thorndike's (1920) seminal article, he described social intelligence as the "ability to understand and manage men and women, boys and girls – to act wisely in human relations" (p. 228).

After Thorndike (1920) proposed a definition of social intelligence, few published studies set out to research his construct. In fact, from 1920 until 1937 only 10 published studies dealt with the subject and, of those 10, seven dealt with only one particular measure of social intelligence (Landy, 2005). Ferris et al. (2002) note that the study of social intelligence has been cyclical and has primarily centered on the issues of definitions and how to measure the terms.

The importance of social effectiveness can be illustrated by the following comments. Moss, Hunt, Omwake, and Ronning (1929) note that if one studies the qualities of the “so called successful man”, one would find that his success doesn’t depend on knowledge that would confuse the average man, but more on the qualities that the average man would find sympathetic and “pleasing” (pp. 212-213). Along similar lines, Laird (1936) states that many people with the lowest levels of education or knowledge (e.g., bootleggers, Broadway touts, nightclub figures, and gamblers) become popular, powerful, and even admired. He also points out that the reason why the U.S. has elected some presidents who are low in abstract intelligence is due to the fact that in order to be elected, one must possess high social intelligence.

### **Young Presidents’ Organization**

The Young Presidents’ Organization (YPO) was founded in 1950 by Ray Hickock. The mission of the organization is to create better presidents of companies through learning and peer support. Mr. Hickock became the president of a very large company at the relatively young age of 40. He also found that he had no contemporaries or peers to ask for advice or with whom to share concerns. When he was able to identify several other presidents with similar situations, they created YPO as a mutual support and learning organization. An individual is eligible for membership in YPO until he/she turns 50 years of age. Thereafter, an individual may join and the successor organization World Presidents’ Organization (WPO), which has no age limit for membership. Currently there are approximately 18,000 members of YPO and WPO located in more than 100 countries. Both organizations consist of presidents of companies that were either founded by themselves or their family. Members may also have been hired as senior level

executives. YPO estimates that 37% of their members fit into the category of entrepreneurs, creating a community of approximately 6,700 entrepreneurs from around the world (Young Presidents' Organization [YPO], n.d.).

To become a member of YPO one must first qualify. There are minimum requirements for firm size (number of employees) and firm revenues (or total assets in the case of a financial institution or brokerage). A prospective member must also be actively engaged in running one's company and have a top executive title of President, Chief Executive Officer (CEO), or Managing Director. Additionally there is a strict requirement that one must certify each year that one's company continues to meet all of YPO's financial requirements. Failure to certify annually will lead to expulsion from YPO.

The current combined annual revenue of YPO/WPO member companies is approximately \$5.4 trillion. This on its own would qualify the organization to be ranked as the fifth largest economic entity in the world behind the EU, the United States, China, and Japan. The combined companies employ in excess of 15 million people. Finally, member companies are distributed across industries as follows: 29% - Service businesses, 29% - Sales businesses, 25% - Manufacturing, 10% - Financial businesses, 4% - Other, and 3% - Agency businesses (YPO, n.d.).

Alliances with some of the world's leading institutions connect YPO members with top scholars and the latest research in business and related fields. These executive programs are specifically designed for those seeking a rigorous approach to strengthening leadership and addressing business challenges (YPO, n.d.).

### **Statement of the Problem**

Entrepreneurs are able to identify a need and move resources to satisfy that need. Social capital has been found to translate directly to positive financial outcomes and is generally acknowledged to be as important an asset to an organization as human capital and fiscal capital (Baron & Markman, 2000). Social capital is an important asset because it provides the entrepreneur with information and resources that will allow him/her to identify and exploit opportunities to which others may not have access (Davidsson & Honig, 2003; Florin, Lubatkin, & Schulze, 2003). Some theorists have suggested that social skills are reflected in persuasion and other influence mechanisms as a method of controlling others actions, and a reflection of capacity and knowledge of what to do and when to display appropriate or expected behaviors. However, little is known about which social styles explain success or failure of influence methods (Ferris et al., 2002).

Extensive research points to a correlation between social capital and entrepreneurial success. However, few studies have explored how social effectiveness impacts the effective usage of social capital in new venture success and sought to understand, from the entrepreneur's perspective, how social capital has contributed to the success of their entrepreneurial efforts and how social effectiveness correlates with those efforts (Baron & Markman, 2000; Tocher, 2007).

### **Statement of the Purpose**

This dissertation, focusing on YPO members, examined the relationship among various components of social capital, degrees of social effectiveness, and degrees of venture success. In particular, the study investigated:

1. YPO members' demographics and how those demographics relate to degrees of venture success.
2. How various components of social capital possessed by YPO members might relate to degrees of venture success.
3. How various components of social effectiveness possessed by YPO members might relate to degrees of venture success.
4. Whether an interaction exists among the components of social capital, components of social effectiveness, and degree of success in new ventures created by YPO members.

### **Research Questions**

Accordingly, consistent with the statement of purpose, the research strove to address the following research questions as well as the sub-questions, the intent of which was to add to the complexity and beneficial knowledge contained in the results:

- RQ<sub>1</sub> – How do responding YPO members' demographic characteristics relate to degrees of venture success?
- RQ<sub>2</sub> – How do the various components of social capital relate to degrees of venture success among YPO members?
- Sub-RQ<sub>1</sub> – What types of social capital does the entrepreneur possess?
- Sub-RQ<sub>2</sub> – How does YPO fit into the entrepreneur's social capital?
- RQ<sub>3</sub> – How does the responding YPO members' social effectiveness relate to venture success?
- Sub-RQ<sub>3</sub> – In which categories of social effectiveness does the entrepreneur excel?



Sub-RQ4 – In categories of social effectiveness does the entrepreneur do poorly?

RQ<sub>4</sub> – Does a linear relationship exist among the components of social capital, components of social effectiveness, and degree of success of new ventures by YPO members?

### **Key Definitions**

The following definitions are used throughout this dissertation proposal.

*Entrepreneur:* Individuals that recognize a need in the marketplace and act to fill it.

*Social Capital:* The relationships, connections, networks, and credibility that one has accumulated over one's lifetime.

*Social Effectiveness:* One's ability to recognize how he/she fits into his/her surroundings socially and how he/she interprets thoughts, words, actions, and social clues: both his/her own and those of others.

*Network:* A connection of associations that link individuals or groups together by a common concept, value, or theme.

*Young Presidents' Organization (YPO):* An international organization founded in 1950 that provides education and peer support to presidents of companies.

*Weak Ties:* Connections between people or groups within a network where there is little overlap between its members or other groups.

*Strong Ties:* Connections between people of groups within a network where there is substantial overlap between its members or other groups.

*Embeddedness:* The concept and degree that actions between individuals are predicated on social relations and that behaviors are modified and restricted by previous interactions and levels of trust.

*Relational Dimension:* The relationship and focus between interacting individuals.

*Trust:* A shared feeling, based on a common background, experience, or social situation where one party has confidence or faith in the actions of another.

*Shared Norms:* The behaviors and cues within a society or group that are believed to be appropriate for its members.

*Shared Values:* Fundamental beliefs, concepts, and principles that underlie an association and guide its members.

### **Limitations of the Study**

Several limitations were present in this study. The first major limitation of this study was that the data were gathered via a self-reported survey directly from the entrepreneurial YPO members. However, despite that limitation, self-report data have been shown to be reliable, especially when given by a top executive (Nayyar, 1992; Tan & Litschert, 1994). By definition, all of those responding were founders/CEO/Presidents/Managing Directors of their companies as a prerequisite for membership in YPO. Also, the information for two of the main variables in this study (e.g. social capital and social effectiveness of new venture founders) is almost always collected through self-report surveys due to the fact that there is almost no other way to obtain this information (e.g., Ferris et al., 2005; Florin et al., 2003; Lechner, Dowling, & Whelpe, 2006).

A second major limitation of this study was that the data were collected in only one round. It certainly would be preferable to be able to make multiple observations over the period of several years, especially with regards to operating data. Time series data might have helped the researcher find a stronger causal relationship between founder social capital and founder social effectiveness with new venture success. Additionally, receiving operating data over multiple periods and years would have allowed the researcher to better define and scale success and again provide an opportunity to determine a stronger causal relationship. Given that this was a dissertation, it was deemed impractical to invest that length of time in the research.

Finally, because *success* is defined in this study as membership in YPO, the researcher was limited in his ability to judge the participants' actual level of success. Some may merely have continued to qualify, which is no small accomplishment; however, the researcher was not able to sort out the super-successes from the baseline. A number of variables can be used to indicate levels of success. The age of the company is an important variable. Biggadike (1979) states that there are three important stages of business development: (a) start-up (0-4 years), (b) adolescence (5-8 years), and (c) maturity (8 or more years). Stinchcombe (1965) asserts that the liability of newness affects all new ventures.

In a review of studies on predictors of business success, Korunka, Kessler, Frank and Lueger (2010) found a high correlation between company age and success. Additionally, Korunka et al. found that the size of a business has an impact on survival rates and that larger businesses show higher survival rates due to having better resources.

## **Summary**

Chapter 1 explored why entrepreneurialism is important to a healthy and productive economy and also briefly examined the history of thoughts and perceptions about entrepreneurs in general. The chapter continued by presenting brief descriptions of both social capital and social effectiveness and how they might be important variables in new venture success. Finally, the chapter offered a review of the research questions, listed key definitions, and described limitations of the proposed study. Chapter 2 will explore more deeply the literature related to these topics.

## **Chapter 2: Review of the Literature**

### **Introduction**

This chapter will provide the theoretical background for this study, and will probe more deeply the research regarding entrepreneurs and various theorists' attempts at understanding who and what they are. This will be followed by an exploration of the social capital literature to more fully understand the components of the concept. The chapter will conclude by examining the literature related to social effectiveness.

### **Studies of Entrepreneurs**

The most debated and researched topic in the field of entrepreneurship concerns the very nature of the entrepreneur him or herself. Researchers have examined entrepreneurs' personality traits and characteristics such as risk tendencies, control, tenacity, and a greater tolerance for ambiguity. They have also explored psychological constructs that focus on self-efficacy, values and motives, ethics, achievement individualism, and sociological features such as birth order, role models, mentoring, and immigrant status (Morris, 2002).

As a result of these explorations, theories of entrepreneurship are typically divided into the following themes: (a) what entrepreneurs are like (personality variables), (b) where entrepreneurs come from (background variables), (c) what entrepreneurs do (behavioral variables), and (d) how entrepreneurs do what they do (skill variables, Karp, 2006). Cross and Travaglione (2003) divide the research into three slightly different categories: (a) motive theories, based on the deep desires of the entrepreneur for personal achievement as the motivating factor that drives him/her beyond the norms; (b) trait theories, also known as personality theories, based on the pursuit of identifying emergent

traits of successful entrepreneurs and are based on the concept that these traits may be replicated so that others can be successful; and (c) cognitive theories, which have attempted to explain entrepreneurship through processes by which entrepreneurs are able to perceive greater self-ability and skills than the norm and thereby achieve superior results. Lowrey (2003) describes two major research camps when it comes to understanding entrepreneurs from a theoretical perspective: (a) those that pursue answers looking at microeconomic theories such as personal traits, labor, and management of physical assets; and (b) those that look at macroeconomic theories that focus on entrepreneurs as figures that impact the economic growth and development of the outside world.

No discussion of entrepreneurialism would be complete without mentioning Joseph Schumpeter, the theorist most closely associated with entrepreneurs (Formaini, 2001). Schumpeter's (1950) concept of *creative destruction* describes his belief that entrepreneurs do not create things, but rather are a disruptive and destructive force; while bringing in new businesses, they may destroy older businesses and processes.

In a final perspective on entrepreneurs, Hytti (2005) notes that the entrepreneurial process is non-linear, emergent, dynamic, and fluid. She argues that the meaning of entrepreneurship is different for each entrepreneur and is not predetermined, and that time and place are integral components of the entrepreneurial process.

### **Evolution of the Term “Social Capital”**

The primary focus of any definition of capital is that of having resources. The traditional view of capital includes such tangible resources as cash, land, or machinery, or intangible resources such as knowledge, human, social, or structural resources (Storberg,

2002). The essential properties of physical capital are: (a) transformation, (b) capacity, (c) durability, (d) flexibility, (e) substitutability, (f) decay, (g) reliability, (h) ability to create one form of capital from another, and (i) opportunities for disinvestment (Robison, Schmid, & Siles, 2002). Capital describes any resource that allows individuals to produce or achieve a goal. Kanazawa and Savage (2009a) break down capital into three types: (a) physical (inherent in physical objects), (b) social (inherent in relationships between people), and (c) human (inherent within a human). Gatti and Tremblay (2005) describe physical capital as objects created through the transformation of various raw materials, human capital as the transformation of individuals, and social capital as the transformation of relationships between and among people.

A review of the literature shows that academia has long been split in terms of how to define social capital; each discipline sees the concept through its own particular lens. A relevant analogy is that surgeons are prone to recommend surgery as the optimal solution to a health problem, while a radiologist will almost certainly suggest radiation as the preferred treatment. Economists, social psychiatrists, sociologists, psychologists, and knowledge management professionals all believe that their way of analyzing things is the best.

Andriani and Karyampas (2009) state that social capital, as a term, has been applied in hope of finding meaning in the fields of politics, institutional performance, corruption, and the economic success of whole countries. They identify three issues in dealing with social capital at a scientific level: (a) the definition is still elusive primarily due to its multi-dimensional nature; (b) this form of capital has a high level of

intangibility; and (c) because of a lack of suitable data, there is no universal method of measurement for this concept.

For example, knowledge management specialists McElroy, Jorna, and van Engelen (2006) believe that social capital is really just “forms of knowledge” and that the knowledge professional’s main job is the “care and feeding” of the individual and collective capacity to create new knowledge (pp. 125-126). They assert that to fully appreciate their thesis of knowledge creation, one must see social capital as a blend of individual and collective thought.

Robison et al. (2002) believe that the term social capital has taken on so many meanings and used in so many “battles” that it is at risk of becoming “the ether that fills the universe” (p. 1). They are in favor of limiting the definition of social capital across academic disciplines as a way of enhancing communication and cooperation. Of course, their article appears in the *Review of Social Economy*, and they follow the economist’s perspective of capital in believing that analysis of social capital must be limited to those social relationships that are most capital-like in character.

In a short paper presented at the 1998 Social Capital Conference at Michigan State University, the Social Capital Interest Group (2000) asserts that social capital is now a concept that is included in most social science disciplines. While they admit that the origin of the term is likely to be in dispute, they feel that many of the behaviors currently attributed to social capital originate in various forms of social interactions, such as: (a) caste privileges, (b) ethnic-based resources, (c) arms-length sales, (d) nepotism laws, and (e) networks of privilege. All of these are relationships (i.e., forms of social capital) that influence economic and social outcomes.



Kanazawa and Savage (2009a) believe that the main reason researchers cannot agree on a unified definition of social capital is largely a problem of values. They posit that without a clear theory of values that adequately explains what humans want, any definition is likely to be *ad hoc*.

The editors of Economist Magazine believe that the main reason economists cannot even agree amongst themselves about a consistent way to analyze social capital is that the idea of trust and community as a pathway to wealth or poverty does not easily fit into the traditional base assumption of economics: that humans are essentially self-interested animals. However, the concept of self-interest is of importance to behavioral economists who think this assumption has been accepted without enough critical study (“A question of trust,” 2003).

Gozi (2003) feels that the terms *social* and *capital* are oppositional in many ways. He believes that relationships defined by *capital* are calculative, rational, productive, and always searching for higher returns. Although social relations may also include these components, he believes that the most important social relationships are familial, emotional, and supportive.

The metaphor of capital has spread to other forms of non-physical social applications, such as “organizational capital” and “cultural capital” (Robison et al., 2002, p. 5). Organizational capital resides within the organization, includes such elements as company knowledge and organizational relationships, and may even be embodied in the attitudes and knowledge created by the organization. Cultural capital may include proprietary terms and language, values, and organizational assumptions (Robison et al., 2002).

Finally, McElroy et al. (2006) recognize social capital as a type of capital that humans can create on demand. They believe that when faced with a shortage of social capital, individuals can just create more.

### **Evolution of Social Capital Theories**

**Adam Smith.** Although Adam Smith (1776) infrequently used the term *capital*, he did refer to multiple components that would be considered capital today. Specifically, he described wealth as the accumulation of labor, wages, rents, and stock. He subscribed to the *invisible hand* theory that if people just pursued their own self-interest, the common good would also be accomplished.

Storberg's (2002) review of Adam Smith's work, commonly known as the *Wealth of Nations*, notes that his thoughts basically described what is now referred to as *laissez-faire economics*. Smith also acknowledged the relationship between politics and economics and, in fact, believed that all elements in society were connected.

**Karl Marx.** Marx theorized that workers, thrust together in a common situation, would learn to identify with each other and support each other in their individual wants and needs. He believed that a common fate bound people together (Portes, 1998).

Storberg (2002) asserts that Marx's key concept was that of "surplus value" (p. 473). Marx (1845) believed that capitalists used their capital and position to take the value of the surplus, created by the laborers, for their own benefit and to oppress the worker. Thus, the ultimate solution to this continuing polarization of wealth was to advocate for a social revolution. Marx believed that the consciousness of the workers is determined by the relationship, or social capital, that they have with the owners of the means of production.

**Theodore Schultz.** Theodore Schultz was the first economic theorist to argue publicly that human resources should be treated as a form of capital. In his 1961 appearance as president of the American Economic Association, he expressed his opinion that by not acknowledging the value of human resources, one encourages the notion that labor requires little knowledge or skill (Schultz, 1961).

**Glenn Loury.** Loury was an economist who first came upon the term social capital in his research on neoclassical theories of racial income inequality and its impact on policy. He believed that young African-Americans would be affected by racial inequalities forever due to two factors of social capital: inherited poverty from their parents, manifesting through lower material resources and education and poorer connections to the job market; and information about the market (Portes, 1998). In his theory of racial income differences, Loury (1977) asserted that social capital is necessary to develop human capital.

**Pierre Bourdieu.** Pierre Bourdieu (1985) is generally considered to be the first theorist to write a book entirely dedicated to the concept of social capital. Unfortunately his book, being written in French, was largely unknown to non-Francophiles until later in the 1980s. Bourdieu's theory also appears in a chapter entitled, *The Forms of Capital*, in J. G. Richardson's edited book, *Handbook of Theory and Research of the Sociology of Education*, published in 1985. He defines social capital as the aggregate of actual or potential resources, linked to membership in a durable network of institutionalized relationships of mutual acquaintance. Additionally, he focuses on the benefits of sociability and its effect on making a profit through enabled connections or social capital.

**James Coleman.** Coleman made a more refined analysis than previous researchers following the lines of Loury's research. Specifically, he looked at the role of social capital in the creation of human capital. Coleman defined social capital functionally as a variety of social entities that have two elements in common; they all have some aspect of a social structure, and they facilitate action of actors (individually or organizationally) within that structure (Portes, 1998).

Coleman (1988) asserts that founders call upon their close ties to form dense networks that allow efficient transmission of information between the members, which, in turn, establishes trust and enforcement of social norms. Coleman states:

Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainment in its absence. Like physical capital and human capital, social capital is not completely fungible with respect to certain activities. Unlike other forms of capital, social capital inheres in the structure of relations between and among persons. (p. 302)

**Ronald Burt.** Burt views social capital and its actors as "friends, colleagues and more general contacts through whom one receives opportunities to use one's financial and human capital" (Portes, 1998, p. 6). Whereas Loury (1977) and Coleman (1988) deemed dense networks to be necessary for the creation of social capital, Burt highlighted the opposite. Burt (1992) asserts that founders may elect to form networks with few overlaps and, through distant ties, develop networks with greater range than closely tied networks. He further notes that an entrepreneur has the opportunity, ability, and motivation to take advantage of *structural holes* (gaps within network connections). Burt asserts that that the entrepreneur is perfectly positioned to capitalize on the opportunity of connecting people across gaps.

**Gary Becker.** Storberg (2002) states that as a form of scientific inquiry, human capital theory owes its existence to Becker, who tested for relationships between components of human capital, including health, education, and migration. Becker (1993) defines activities that influence future monetary and psychic income by increasing resources in people as “investment in human capital” (p. 11).

**Daniel Goleman.** It is reasonable to assert that the construct of emotional intelligence has received so much attention in the past 15 years because of the best-selling books on this topic published by Daniel Goleman (1995). Goleman relates emotional intelligence to abilities such as effectively controlling impulses, delaying gratification, regulating moods, and the ability to empathize with others. Furthermore, he suggests that “Being able to manage emotions in someone else is the core of the art of handling relationships” (p. 112). Goleman looked to make the relationship between social capital and social effectiveness clearer. In his review of Goleman’s 2006 book *Social Intelligence*, Heggstad (2008) notes that Goleman uses the terms *social intelligence*, *social competence*, and *social effectiveness* interchangeably. Heggstad also notes that most social effectiveness researchers tend to see emotional intelligence as a component of the more broadly defined term of *social effectiveness*.

**Robert Putnam.** In Robert Putnam’s (2000) book *Bowling Alone: The Collapse and Revival of American Community*, he states that social capital consists of “work-related organizations, both unions and business and professional organizations” (p. 80). He believed that the United States as a whole was declining in total social capital based on dwindling membership in community organizations. He defines these associations as neighborhood associations, choral groups, cooperatives, and sports clubs. Putnam’s

definition of social capital includes important concepts that rely heavily on the features of social organizations, such as networks, civic groups, norms of behavior, and cooperation for mutual benefit (O'Shea, 1999). Putnam (1995) also asserts that norms and trust are the source of social capital and that people learn to do the right thing through a process of socialization.

**Nan Lin.** In his book, *Social Capital: A Theory of Social Structure and Action*, Nan Lin (2001) defines social capital as an investment in social relationships by individuals that help them gain access to resources that will enhance expected returns of instrumental or expressive actions. Lin's theory of social capital not only provides a framework to assess the contribution of social relationships and the accumulation of capital, but also enables scholars and CEOs to identify ways to obtain a bigger return on investment by investing in those relationships (Storberg, 2002). Lin states, "Unlike human capital, which represents investment in training and other programs of activities to acquire skill, knowledge and certifications, social capital is an investment in social relationships through which resources of other actors can be accessed and borrowed" (p. 24).

### **Components of Social Capital**

Seibert et al. (2001) describe three schools of theory in the field of social capital that focus on the main concept of networks and their benefits to members: (a) weak tie theory, (b) structural hole theory and (c) social resource theory. See Table 1 for a summary of theories and theorists.

Table 1

*Summary of Theories and Theorists*

Theory	Theorists	Summary
Weak Tie Theory	Granovetter	Focuses on the structure of a network
Structural Hole Theory	Burt Podolny Baron	Focuses on the structure of a network
Social Resource Theory	Lin Coleman Bourdieu	Focuses on the content of a network

Aldrich and Zimmer (1986) state that an entrepreneur's personal network is the totality of all the people and groups he/she knows, connected by a certain type of relationship. The network may include family, friends and acquaintances, church members, suppliers, co-workers, employees, trade associations, and professional groups. They also note that networks are rich in the resources that entrepreneurs need to succeed, promoting social learning, adaptive responses, and the diffusion of new ideas.

Traditional economic theory argues that market exchanges occur as independent events, and that they are conducted by self-interested actors with perfect information (Frazier, 2000). Coleman (1988) and Granovetter (1973) state that theories of networks integrate the concept of relationships into the exchange equation and provide opportunities for the parties to allow analysis of market exchange behaviors, allowing for personal relationships (often referred to as social capital).

Founders form external networks for multiple reasons. Specifically, they may be operating with limited resources and may need advice, information, and a supplement to their own skills (Kim, 2006). Research in the field of networks suggests that participants in networks can substantially influence venture performance by providing entrepreneurs

with more diverse, complete, and timely information that could be obtained by individual efforts alone (Burt, 1992; Uzzi, 1996). Further, Granovetter (1985) notes that the nature of the relationships between members of the network determines the level of access to the assets of the network available to its members. He suggests that information is more easily accessed and of a better quality when it is accessed through weaker ties, or those where the members have infrequent contact with each other.

Portes and Sensenbrenner (1993) assert that embedded relationships have an influence on the value of transactions and can build social capital among members of the network. Exchanges within a network have a social structure that is influenced based on the embeddedness or closeness within the group. Uzzi (1996) states that the governance mechanism, or the way in which the network self-polices itself, that promotes the voluntary sharing of information and resources within a network is social capital.

Molm, Takahashi, and Peterson (2003) state that strong tie relationships operate with certain norms of reciprocity that allow the parties involved to provide assistance without the consideration of benefits to be received. Also, working with direct ties may create opportunities and environments for mentoring and direct support. Venture founders who have received or given such support in the past may be more inclined to reciprocate (Larson, 1992).

According to Kim (2006), social exchange theorists have created a broader category of exchanges between actors called *generalized exchanges*. He describes an example of a generalized exchange as assisting a stranded motorist where support is rendered without immediate or direct reciprocation.



Founders' benefits from close relationships or strong ties may include access and introductions to investors, customers, or other potential stakeholders. They may also meet future employees, industry experts, or other entrepreneurs who may be able to contribute experiential advice (Davis, Renzulli, & Aldrich, 2006); prominent individuals in founders' networks can be influential and lend credibility to the founder's new venture through endorsements (Podolny, 2001; Stinchcombe, 1965); supporters centrally located in the founders' network can provide stronger endorsements (Wasserman & Faust, 1994); and customers, suppliers, and sources of finance may be willing to increase their support of the new venture (Shane & Cable, 2002).

Founders are likely to rely heavily on their stronger ties due to established norms between the parties (Granovetter, 1973). These ongoing interactions allow both parties to develop an awareness of each other's preferences, styles, and capabilities. Built on trust, these strong ties allow for a greater level of reciprocity than do weak ties. Transactions utilizing strong ties are called reciprocated exchanges (Blau, 1964). Additionally, due to the frequent contact that is characteristic of a strong tie relationship, founders can rely on earlier communications to help eliminate redundant conversations and thereby increase the speed and ease of the transfer of complex information (Hansen, 1999).

Another variable affecting strong tie networks is density. Density is a characteristic of a network that refers to the total number of ties that a member may have as a link to that network. Density increases as the number of ties within a particular network increases. A network where everyone knows each other would be considered dense (Marsden, 1993).

Embedded relationships yield high levels of trust, obligation and commitment reciprocity that may provide a substantial opportunity to the entrepreneur (Burt, 1992). The density of a network's connections also often reflect higher levels of trust and group cohesiveness as well as group norms (Axelrod, 1984). Centrality is an important related topic that refers to where an individual actor may be in the flow of information relative to others in a network. Centrality may be an indicator of rank, influence, or status, and those variables may lead to better access to information or resources. Additionally this position may be appointed, elected, or attained informally based on expertise or reputation (Ibarra, 1993).

Founders who rely exclusively on a strong tie relationship face several limitations. Strong ties create the likelihood of receiving redundant information or resources (Carley, 1991). Another limitation of working with close ties is that of homophily, or the tendency to work with people with similar backgrounds. Such actions tend to reduce the flow of new information and create redundancies (Blau, 1964).

Weak or indirect ties can be helpful when strong ties are ineffective or not equipped to provide the support that is needed. By accessing their weak ties, founders often discover new and untapped resources and information. Founders with multiple weak ties put themselves into a better position to receive potential new assets (Burt, 1992; Granovetter, 1973).

Growing networks of weak ties can be time consuming and requires the founder to overcome his/her inclination to recruit into his/her network only members of their own socio-demographic pool (McPherson, 1983). Additionally, when one pursues weak and indirect ties for support in and to his/her network, he/she will most likely encounter

exchanges that occur on a negotiated basis. This requires the two parties to agree in advance how and what the rules are with regards to reciprocity. This type of exchange will cause the founder to invest much more heavily into setting up and maintaining those relationships. Given that a founder's resources are limited at startup in terms of time, information, and capital, these types of ties bear their own costs, as detailed previously (Blau, 1964; Molm et al., 2003).

These types of negotiated exchange relationships may evolve into reciprocal exchanges as time goes by and trust is gained through performance and interactions (Blau, 1964). Experimental studies show that reciprocal exchanges generate higher levels of trust than do negotiated exchanges (Molm et al., 2003).

Reagans and Zuckerman (2001) state that founders will likely draw primarily from their core of strong ties while reaching out selectively to the weaker ties. According to Reagans and Zuckerman, studies have found positive results from maintaining a diverse support network, anchored by strong ties and supplemented by weak ties.

Additional components of social capital include emotion and motive. In a famous study to test affinity in social capital, Robison and Schmid (1991) asked people to determine a price that they would sell a car to two different potential buyers. The buyers were each presumed to have different levels of social capital vis-à-vis the seller and therefore different levels of affinity with the seller. The selling price increased as the buyers ranged from a family member to a friend to a neighbor to a nasty neighbor, illustrating the varying levels of affinity.

## **Social Effectiveness**

Ferris et al. (2002) describe social effectiveness as a somewhat broad category that includes a number of specific constructs that carry different labels, including: (a) social intelligence, (b) emotional intelligence, (c) practical intelligence, (d) self-monitoring, (e) social skill, (f) social competence, (g) political skill, (h) ego resiliency, (i) interpersonal intelligence, (j) sociopolitical intelligence, (k) interpersonal acumen, (l) functional flexibility, and (m) social self-efficacy. Even though these constructs may occupy a similar place in the literature, Ferris et al. (2005) regard all of these as similar components under the broad category of social effectiveness, which is currently popular for its potential in the area of jobs and careers. Furthermore, most of these constructs have a common variable in that each possesses a component of cognitive understanding or savvy, as well as a component of behavioral action that requires one to act on that process in a flexible or adaptive way. Ferris et al. (2005) assert that most of these constructs have their roots in the early construct of social intelligence, which established the dual components of understanding people and social situations, and being able to act on that knowledge in an appropriate manner. They prefer to see social effectiveness as a broad, high-level umbrella term that incorporates multiple related, yet conceptually distinctive, versions of social understanding and competence.

Mintzberg (1983) states that many academicians share the perspective that organizations are, in effect, political arenas. He suggests that political skill, or the ability to influence through persuasion, manipulation and negotiation, is the key skill needed to excel as a socially effective individual.

In a formal sense, the scientific study of individual differences in social capabilities began in 1920 when E. L. Thorndike discussed the notion of social intelligence in an article for Harper's Magazine (Heggstad, 2008). In Thorndike's (1920) seminal article, he described social intelligence as the "ability to understand and manage men and women, boys and girls – to act wisely in human relations" (p. 228).

Marlowe (1986) defines social intelligence as "the ability to understand the feelings, thoughts and behaviors of persons, including one-self, in interpersonal situations and to act appropriately upon that understanding" (p. 52). He believes that social intelligence is composed of a set of problem-solving skills that enable the person to resolve problems and create useful social benefit. Marlowe equates social intelligence with social competence.

Ferris et al. (2002) note that since Thorndike's (1920) seminal work, the study of social intelligence has been cyclical and centered on the issues of construct definition and measurement. From their review of the literature, they conclude that most authors describe social intelligence as a complex combination of different abilities that help individuals navigate through various social settings, and that it is related to, but also different from, other types of intelligence.

In commenting on the various components of intelligence, Thorndike and Stein (1937) first seek to define social intelligence in terms of three components: society, interest, and adjustment. Using the George Washington Social Intelligence Test (GWSIT), the authors found that test scores were correlated with students' extra-curricular activities, executive ratings, and abstract intelligence. They expected to find this correlation with abstract intelligence, as Thorndike and Stein believed that social

intelligence shares a common theoretical place with abstract intelligence since they both involve the use of general facts about people. The use and development of the social intelligence construct has continued along its original path (i.e., thoughtful appreciation of others and behaviors linked to coping with others) with few adjustments (Ferris et al., 2002).

Utilizing an implicit-theory approach (reflecting their own initial beliefs of appropriate theories), Kosmitzki and John (1993) developed a prototype of social intelligence based on subjects' ranking of 18 definitions or adjectives, which yielded seven items that were equally indicative of the behavioral and cognitive components of social intelligence. The second part of their study asked subjects to use the 18 definitions to describe actual people. The results are described by three distinct factors: (a) social intelligence, (b) social influence, and (c) social memory.

Linking effective leadership with social intelligence, Zaccaro, Gilbert, Thor, and Mumford (1991) note that social intelligence may have important implications for leadership because effective leaders must have the cognitive capacity to analyze situations and the ability to take whatever action may be necessary. They argue that leaders need social perceptiveness to receive and interpret social information and flexibility of behavior to respond in different ways to different situations, directly linking leader effectiveness to social intelligence. In addition, social intelligence is considered essential for assessing stakeholder relationships (Hooijberg & Schneider, 2001), and for the effective development and implementation of vision for the organization (Zaccaro & Banks, 2001).

In a further development of the social intelligence construct, Schneider, Roberts, and Heggstad (2002) view social intelligence as part of the broader construct of social competence. They define social competence as representing differences in the ability to achieve social goals, and as a combination of related traits, including social intelligence.

Organizational scientists have demonstrated considerable interest in emotions in the workplace in recent years. A body of related work has emerged that has become known as *emotional intelligence*. This field has seen an interesting developmental trajectory, basically evolving along two paths to date: one by consultants and practitioners writing for the business and popular press, and the second one by behavioral scientists attempting to determine the scientific merits of this construct (Ferris et al., 2002).

It is reasonable to assert that the construct of emotional intelligence has received so much attention in the past 15 years because of the best-selling books on this topic published by Daniel Goleman (1995). Goleman relates emotional intelligence to abilities such as effectively controlling impulses, delaying gratification, regulating moods, and the ability to empathize with others. Furthermore, he suggests that “Being able to manage emotions in someone else is the core of the art of handling relationships” (p. 112). In his review of Goleman’s 2006 book *Social Intelligence*, Heggstad (2008) notes that Goleman uses the terms *social intelligence*, *social competence*, and *social effectiveness* interchangeably. Heggstad also notes that most social effectiveness researchers tend to see emotional intelligence as a component of the more broadly defined term *social effectiveness*.

Ferris et al. (2002) assert that, independently, scholars have spent time establishing a program of research aimed at developing the scientific status and the specific nature of the emotional intelligence construct. Salovey and Mayer (1989) define emotional intelligence as “the subset of social intelligence that involves the ability to monitor one’s own and others’ feelings and emotions, to discriminate among them, and to use this information to guide one’s thinking and actions” (p. 189). Furthermore, they suggest that emotional intelligence addresses the five domains of knowing one’s emotions, managing emotions, motivating oneself, recognizing emotions in others, and handling relationships.

While the research on emotional intelligence has primarily focused on measuring intelligent behavior in natural settings (Sternberg, Wagner, Williams, & Horvath, 1995), the two main streams of research are characterized by mildly opposing views of how emotional intelligence should be measured. One line sees emotional intelligence as a wide combination of mental ability and personality traits, and relies on the mixed-model assessment approach used by Goleman and Bar-On (Hedlund & Sternberg, 2000). The other line, referred to as the *ability-model*, focuses on the skills and abilities needed to facilitate thinking and adaptive behavior (Caruso, Mayer, & Salovey, 2002). Mayer, Salovey, and Caruso (2000) state that emotional intelligence is best viewed as a group of mental abilities, which is best captured by measuring mental capacity. They also note that the mixed-model approach appears to be more widely accepted than either method alone.

Moving on from emotional intelligence, Ferris et al. (2002) note that practical intelligence is an appropriate construct under the umbrella of social intelligence. Indeed, conceptual differentiation between practical intelligence and other non-academic and



academic forms of intelligence has been an interest of researchers for quite some time. However, Ferris et al. assert that the only point of agreement among researchers thus far is that intelligence is partly based on one's ability to adjust to the environment, which is a point that may serve to link practical intelligence with other forms of intelligence.

Sternberg (1985, 1997) explains that, to many, the concepts of common sense and street smarts are well known and widely understood. Sternberg defines practical intelligence as the ability that individuals use to adapt to, shape, or select their environment to achieve valued personal goals. The social context of organizations today makes practical intelligence an appealing, easy to grasp concept.

Hedlund and Sternberg (2000) directed their research towards work on managerial problem solving as a key aspect of practical intelligence: that is, the concept of *tacit knowledge*, which they define as knowledge gained through everyday experience. They break this concept down into three main features: (a) knowledge that is generally gained without formal training, (b) knowledge that is procedural in nature, and (c) knowledge that is of practical value to the individual. The value of tacit knowledge is that it reflects more than job knowledge, and has the potential to explain job performance beyond traditional measures.

Empirical research on tacit knowledge has related it to a number of important issues, such as managerial years of experience and salary (Wagner, 1987). However, it is challenging to measure real-world competency, as it is difficult for managers to describe what guides their actions (Hedlund & Sternberg, 2000). Indeed, measuring real-world competency often requires the use of critical incidence, simulations, and or practical

problem solving, which may raise validity issues in measuring tacit knowledge (Sternberg et al., 2000).

Self-monitoring captures the two fundamental components of the social effectiveness construct domain of social perceptiveness: the ability to read social situations, as well as the capacity to act on that social knowledge. A high self-monitor is one who, out of concern for social appropriateness, is particularly sensitive to the expression and self-presentation of others in social situations and uses these cues as guidelines for monitoring his/her own self-presentation. Self-monitoring ability gives individuals the ability to cope with a wide variety of social roles as well, and thus show less behavioral consistency by altering their behavior to suit varying situational demands (Snyder, 1974). The high self-monitor style seems capable of creating the appropriate type of image for any particular situation by varying his/her behaviors and controlling emotional expression to create effective impressions (Snyder, 1987). In fact, Snyder (1974) observes that the ability to manage and control one's emotional expression is a prerequisite for effective interpersonal and social functioning. Other theorists have suggested that social skills are reflected in: persuasion and other influence mechanisms as a method of controlling others' actions, social skills as they reflect capacity and knowledge of what to do and when to display appropriate or expected behaviors, and the fact that little is known about which social styles explain success or failure of influence methods (Ferris et al., 2002).

Researchers have long attempted to measure components of social skills and social effectiveness. Snyder (1974) created a 41-item, true-false, self-report measure of self-monitoring targeted to examine five areas, including concern for social

appropriateness, attention to social comparison information, and the ability to control self-presentation. He tested 192 Stanford students, eventually reducing the number of questions down to 25 to improve the instrument's internal validity. The self-monitoring construct has been critically evaluated over the years.

Riggio (1986) developed a 105-item measure of several dimensions of social skills, called the Social Skills Inventory. He identified six basic social skills dimensions that he believes reflect skills in communication transmission, reception, and control, and that tap into two separate worlds (emotional-nonverbal and social-verbal), suggesting that social skills reflect both social and emotional content and abilities. Riggio's six dimensions include: (a) emotional expressivity, (b) emotional sensitivity, (c) emotional control, (d) social expressivity, (e) social sensitivity, and (f) social control.

Schneider, Ackerman, and Kanfer (1996) note that social competence is socially effective behavior that is instrumental in helping people achieve goals that are social in nature. They identified and measured seven variables or dimensions that underlie their construct: (a) extraversion, (b) warmth, (c) social influence, (d) social insight, (e) social openness, (f) social appropriateness, and (g) social maladjustment. They found that the dimensions of social competence were closely related to the major personality variables and only modestly related to cognitive ability. Schneider et al. (2002) explored the structure of social competence, using the self-report PDRI Social Competence Inventory. Four factors were found and replicated across two studies (Social Mastery, Social Maturity, Social Responsiveness, and Social Control), and a fifth factor (Social Intelligence) was identified in the second sample only.

Many scholars in the area of social effectiveness have argued that the key to achieving career success is to build social and political competence. They assert that performance, effectiveness, and career success are determined in part by variables such as intelligence and hard work, and note that other skills such as social astuteness, positioning, and savvy also play important roles as well (Ferris et al., 2002). Mintzberg (1983) was perhaps the first to coin the term *political skill*, which he referred to as exercising influence effectively through persuasion, manipulation, and negotiation. Jackall (1988) identified political skill as an important variable when he discussed the importance of style in managerial effectiveness. He described successful managers as good actors as they attempt to exercise control over responses, behaviors, and the feelings of others, all done with an air of authenticity.

Ferris, Kolodinsky, Hochwarter, and Frink (2001) define political skill as an interpersonal style construct that combines social perceptiveness (astuteness) with the ability to adjust one's behavior to different and or changing situations in a manner that inspires trust, confidence, and genuineness. Their ability to adjust in this manner effectively influences and controls the responses of others. Ferris et al. (2002) suggest that people who are high in political skill know not only precisely what to do in different social situations at work, but also exactly how to do it in a sincere, engaging manner that disguises any ulterior, self-serving motives. In fact, Ferris et al. (2005) developed an extensive multidimensional measure of political skill that included the dimensions of: (a) self and social astuteness, (b) interpersonal influence/control, (c) network building/social capital, and (d) genuineness/sincerity. This is the instrument that the researcher used to validate the social effectiveness of the YPO subjects in this study.

Self-efficacy is an additional component of social effectiveness that theorists have identified as important. Bandura (1997) defined self-efficacy as an individual's belief in his/her own abilities to organize and execute various plans of action, as required to produce the desired results. He believes that social self-efficacy, as a construct of social effectiveness, involves one's certainty about his/her performance and choices in a social interaction, which then will structure the way he/she views the outcome of those situations. In an attempt to measure self-efficacy, Sherer et al. (1982) developed a 6-item social self-efficacy scale. Per the authors, this scale correlated significantly with self-esteem and interpersonal competency. In their assessment of the six-item scale, Ferris et al. (2002) found that social self-efficacy was positively correlated with several criterion variables, and negatively correlated with the number of times individuals were fired from their jobs.

Baron and Tang (2009) comment that the large body of research findings in the area of social skills represents measures from multiple disciplines, including organizational behavior and human resource management, and that these findings indicate that social skills (skills that are useful to individuals interacting with others) exert strong influence on important outcomes over many situations. Specific social skills that have been demonstrated to produce significant effects include social perception (the ability to perceive others accurately), expressiveness (the ability to express feelings and reactions clearly and openly), impression management (skill in making favorable first impressions on others), expressiveness (the ability to express emotions clearly and openly), and social adaptability (proficiency in adapting one's actions to current social

contexts; e.g., Baron & Tang, 2009; Ferris et al., 2001; Harris, Kacmar, Zivnuska, & Shaw, 2007; Wayne & Liden, 1995).

In a workplace environment, social skills have been found to impact a wide range of important organizational processes and have economic effects. Riggio and Throckmorton (1988) assert that people who are high in social skills, as compared to people who are low in those skills, are more successful job applicants. Robbins and DeNisi (1994) note that those with better social skills receive higher performance reviews from their supervisors. In addition to having a direct influence on their ratings, social skills may also have an indirect effect through their impact on the cognitive processing involved in the evaluation. They highlight the fact that supervisors acquired the least amount of new information about individuals with high levels of social skill, which suggests that a supervisor has a tendency to maintain an opinion of a socially skilled person once it is formed.

In their exploration of CEO compensation and social capital, Belliveau et al. (1996) determined that CEOs with high levels of prestige and influence (in effect, those who are more socially skilled), received promotions and raises faster than those with lower levels of prestige and social capital. They also found correlations between the relative social status of the CEO and their compensation.

Seibert et al. (2001) state that, similarly, individuals who are high in social skills generally achieve greater success than individuals who are low in such skills in many different occupations (e.g., medicine, law, and sales), often achieve higher levels of specific task or job performance (Hochwarter, Witt, Treadway, & Ferris, 2006), and attain better results in negotiations (Lewicki, Saunders, & Barry, 2005). Social

effectiveness can also have positive effects on outcomes in many non-business contexts. For example, people who are high in social skills tend to have wider social contacts than people who are low in social skills (Diener & Seligman, 2002). Downs and Lyons (1991) state that social skills have even been found to influence the outcomes of legal proceedings, with people who are high in such skills attaining beneficial verdicts more often than people who are low in such skills.

A substantial body of findings indicates that social skills measured at a point in time may significantly predict social outcomes at later times (Ferris et al., 2001; Hochwarter et al., 2006). Baron and Markman (2000) suggest that social skills might also exert significant effects in another important business context: *entrepreneurship*. Although this suggestion is consistent with the findings of a large body of research on the impact of social skills in other business contexts (Kacmar, Delery, & Ferris, 1992), it has been investigated in only one published study and one dissertation known to the present researcher. In the first investigation (Baron & Markman, 2000), entrepreneurs working in two different industries (cosmetics and high tech) completed a widely used and well-validated measure of social skills (i.e., Riggio, 1986). Entrepreneurs' scores on this measure were then compared to one indicator of their financial success: the income these entrepreneurs earned from their new ventures over each of several years. Results indicated that several social skills (social perception, social adaptability, expressiveness) were significantly related to this measure of financial success.

In a doctoral dissertation, Tocher (2007) found a correlation between higher levels of entrepreneurial founder success and higher levels of social effectiveness. Although the researcher found no direct correlation either between social capital and venture success or

between social capital and social effectiveness, the lack of results was blamed on possible theoretical or methodological reasons.

### **Young Presidents' Organization**

The YPO was founded in 1950 by Ray Hickock. The mission of the organization is to create better presidents of companies through learning and peer support. Mr.

Hickock found himself as the president of a very large company at the relatively young age of 40. He also found that he had no contemporaries or peers to ask for advice or with whom to share concerns. When he was able to identify several other presidents with similar situations, they created YPO as a mutual support and learning organization. An individual is eligible for membership in YPO until he/she turns 50 years of age.

Thereafter, an individual may join and the successor organization the WPO, which has no age limit for membership. Currently there are approximately 18,000 members of YPO and WPO located in more than 100 countries. Both organizations consist of presidents of companies that were either founded by themselves or by their family. Members may also have been hired as senior level executives. YPO estimates that 37% of their members fit into the category of entrepreneurs, creating a population size of approximately 6,700 entrepreneurs from around the world (YPO, n.d.).

To become a member of YPO one must first qualify. There are minimum requirements for firm size (number of employees) and firm revenues (or total assets in the case of a financial institution or brokerage). A prospective member must also be actively engaged in running his/her company and have a top executive title of President, CEO, or Managing Director. Additionally there is a strict requirement that one must certify each



year that one's company continues to meet all of YPO's financial requirements. Failure to annually certify will lead to one's expulsion from YPO.

The current combined annual revenue of YPO/WPO member companies is approximately \$5.4 trillion. This on its own would qualify the organization to be ranked as the fifth largest economic entity in the world behind the EU, the United States, China and Japan. The combined companies employ in excess of 15 million people. Finally, member companies are distributed across industries as follows: 29% - Service businesses, 29% - Sales businesses, 25% - Manufacturing, 10% - Financial businesses, 4% - Other, and 3% - Agency businesses (YPO, n.d.).

Alliances with some of the world's leading institutions connect YPO members with top scholars and the latest research in business and related fields. These executive programs are specifically designed for those seeking a rigorous approach to strengthening leadership and addressing business challenges (YPO, n.d.).

Two studies have been conducted involving the YPO. The first, entitled *Who Knows the Corporation President?* was written by Purcell in 1968. In this qualitative study, Purcell interviewed six presidents and current members of YPO. The second study, *Emotional Intelligence of Leaders: A Profile of Top Executives*, was published by Stein, Papadogiannis, Yip, and Sitarenios in 2009.

### **Research Questions**

Consistent with this study's statement of purpose, this research focused on the following research questions as well as the sub-questions, the intent of which was to add to the complexity and beneficial knowledge of the results:

RQ<sub>1</sub> – How do responding YPO member’s demographic characteristics relate to degrees of venture success?

RQ<sub>2</sub> – How do the various components of social capital relate to degrees of venture success among YPO members?

Sub- RQ<sub>1</sub> – What types of social capital does the entrepreneur possess?

Sub – RQ<sub>2</sub> – How does YPO fit into the entrepreneur’s social capital?

RQ<sub>3</sub> – How does the responding YPO member’s social effectiveness relate to degrees of venture success?

Sub RQ3 – Which categories of social effectiveness does the entrepreneur excel at?

Sub RQ4 – Which categories of social effectiveness does the entrepreneur do poorly at?

RQ<sub>4</sub> – Is there a linear relationship among the components of social capital, components of social effectiveness and the degree of success of new ventures by YPO members?

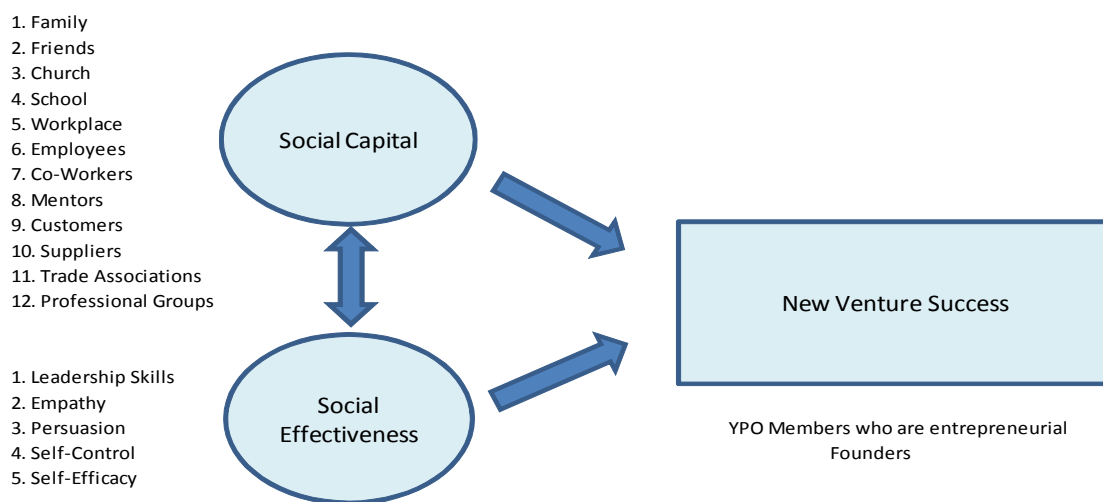


Figure 1. Theoretical model.

## Summary

In the 62 years that YPO has been in existence only two peer reviewed, YPO-approved studies have been conducted utilizing its members as the source of data. This dissertation will be the third. By taking highly successful business executives and selecting the ones that have created their own entrepreneurial vision, this research hopes to contribute to the literature with regards to social capital (the specific components and usefulness thereof), the entrepreneurs' social effectiveness, and how both variables have affected their new venture success.

Researchers have long recognized that entrepreneurship and innovation are important engines of the world's economic growth. Drucker (1985) has argued that innovation is the "specific tool of entrepreneurs" (p. 19) and the ways in which change and innovation are brought to the marketplace.

Social network researchers have taken the lead in attempting to formalize and measure empirically those theories related to social capital because social network researchers regard relationships or ties that connect people and groups as the basic data for analysis (Seibert et al., 2001). Furthermore, in a 24/7 world and a global economy, although relationships impact every economic transaction, what really needs to be understood is how much and in what circumstances relationships should matter to entrepreneurs (Robison & Ritchie, 2010).

The large body of research findings represents measures from multiple disciplines, including organizational behavior and human resource management. These findings indicate that social skills exert a strong influence on important outcomes in many situations (Baron & Tang, 2009). Many academicians share the perspective that

organizations are, in effect, political arenas. Mintzberg (1983) suggests that political skill, or the ability to influence through persuasion, manipulation and negotiation, is the key skill to excelling as a socially effective individual.

## **Chapter 3: Methodology**

### **Introduction**

This chapter details the design of the intended research and the data collection approach. Additionally, this chapter will present further detail on the population, the specific sample to be surveyed, the survey instrument, and the scales utilized.

### **Research Design and Approach**

This study utilize used a non-experimental, descriptive design with relational analysis to explore the variables of social capital, social effectiveness, and their effect on entrepreneurial success.

### **Setting and Sample**

The target population for this study was the membership of the YPO, an organization that celebrated its 60th anniversary 2 years ago and has approximately 18,000 members worldwide (YPO, n.d.). The population for this project was the approximately 6,700 YPO members that are Presidents and or CEOs of companies that they founded. Historically, YPO members fit one of three categories: (a) senior executives that are employed by a company (minimal equity, hired to run a company), (b) family businesses (running a family-owned, multi-generational business), and (c) entrepreneurial founders (people that have started and are still involved with their own companies).

To qualify for membership in YPO, the respondent has to annually certify that his/her qualifying company has at least 50 regular, full-time employees or annual payroll in excess of \$1,000,000, not including the member. Additionally their company must have gross revenue of at least \$8,000,000 for sales/service/manufacturing companies,

assets of at least \$160,000,000 for financial institutions or commissions of at least \$6,000,000 for agency-type businesses (see Appendix A).

While the overall membership of YPO is approximately 18,000, there is a mix between hired professional managers, entrepreneurs, and heads of inherited family businesses. Entrepreneurial founders are estimated to be 37% of the overall membership (YPO, n.d.). This would give the entrepreneurial category approximately 6,700 possible respondents. In this study, only those members that identify themselves as entrepreneurs and have created and run a new business venture were included in the sample.

Furthermore, study participants included only YPO members that have indicated they are either the founder or co-founder of their current company.

### **Instrumentation and Materials**

Surveys are generally considered to be less costly and more efficient than other methods of data collection. Furthermore, an online survey offers confidentiality and less chance of bias on the part of the data collector than other methods. Additionally, given that the members of the survey population are located in more than 100 different countries around the world, a survey was the most practical method of gathering the data for this study. By taking advantage of such a large and specific population in terms of diversity of business type, locations, and background of the individual entrepreneurs, the researcher hoped that the validity and usefulness of the information gathered would provide considerable insight into the use and composition of social capital, social effectiveness, and entrepreneurial success.

The survey consisted of informational or demographic questions, opinion statements (utilizing a Likert scale that required the respondent to rank his/her level of

support for or agreement with a statement or position among peers), and multiple response questions requiring ranking or estimation of numerical size. Part A of the survey included demographic questions such as industry, geographic location of the firm, number of full-time employees, age of the company, age, gender, level of education, country of birth, years of experience in the same (or related) field, and the total number of entrepreneurial start-ups that the respondent has founded. These demographics were used to further describe the study sample and to act as control variables in the statistical analysis. For example, this information allowed analysis that could further clarify differences in types of social networks, social effectiveness, and opportunities, and determine if certain variables might be gender or age sensitive or have global differences. Each venture's industry proved to be an interesting variable in this research.

The age of the company is also an important variable. In a review of studies on predictors of business success, Korunka et al. (2010) found a high correlation between company age and success. Additionally, Korunka et al. found that the size of a business has an impact on survival rates and that larger businesses show higher survival rates due to having better resources. Biggadike (1979) delineates three stages of business development: (a) start-up (0-4 years), (b) adolescence (5-8 years), and (c) maturity (over 8 years). Responses were classified in terms of Biggadike's stages for analysis purposes.

Part B, questions 1A-1Q, used a 5-point Likert scale. Part C used a 7-point Likert scale. Jacoby and Matell (1971) assert that too few Likert points result in a coarse scale and a loss of much of the raters' descriptive powers. In contrast, too many Likert points may go beyond the raters' power of discrimination. In their study of the Likert scale, they state that the ultimate goal of achieving validity and reliability is not impacted by the

actual number of choices on the scale. The most important factor is obtaining sufficient depth of data collected based on the goals of the researcher. Part C utilizes a 7-point scale because the original Political Skills Inventory instrument does. The researcher chose to utilize a 5-point scale in Section B because it provides sufficient depth for the analysis without creating any reduction in the validity or reliability.

Part B allowed the researcher to examine three components of the respondent's social capital: (a) the level of support received from different segments of the personal and professional lives of the respondent, (b) how close (or rich) various segments were in terms of active engagement on a regular basis, and (c) how interconnected the segments were, indicating the opportunity for utilizing structural holes. This section of the survey solicited the respondents' opinions related to social capital and its effect on their entrepreneurial efforts.

As previously mentioned, Aldrich and Zimmer (1986) note that an entrepreneur's personal network is the totality of all the persons and groups he/she knows connected by a certain type of relationship. These relationships may include (a) family, (b) friends, (c) acquaintances, (d) church members, (e) suppliers, (f) co-workers, (g) employees, (h) trade associations, and (i) professional groups. Networks are rich in the resources that entrepreneurs need to succeed and promote social learning, adaptive responses, and diffusion of new ideas.

Question 1 asked the respondent to indicate the levels of support he/she received from different constituent groups when he/she created his/her entrepreneurial start-up. The ranking ranges from "No Support" to "High Level of Support" in a 5-point Likert scale.



Questions 2-6 asked the respondent to estimate a discrete number of relationships that he/she actively maintains within the different constituent groups. These questions indicate the size and density of respondents' components of social capital.

Question 7 indicated the levels of connectedness between various networks maintained by the respondent. This relates to Burt's (1992) concept of structural holes and allowed the researcher to discover how the participants relate to and utilize these structural holes for strategic gains in social capital. Question 8 explored the most valuable components of the respondents' social capital.

Past research has created an operational definition of social capital as the size, strength, and mix of an individual actor's network (Davidsson & Honig, 2003).

Therefore, questions in Part B focused on these components of social capital.

1. Size – Questions 1A-1Q measured size by examining the respondents' various categories of supporters. Questions 2-6 quantified the ultimate size of active relationships within respondents' social capital structure.
2. Strength – This measurement can be determined by analysis of the number of components that the respondent indicates were supportive of his/her entrepreneurial efforts, shown in Questions 1A-1Q. It can also be shown in Questions 2-6, which explored the number of active relationships respondents maintain.
3. Mix – Questions 1A-1Q reflected the personal mix of social capital resources that the respondents consider important. Question 8 also indicated mix in terms of importance as ranked. Questions 2-6 reflected the numerical mix of the entrepreneurs' active relationships.

As previously mentioned, Ferris et al. (2002) suggest that people who are high in political skill not only know precisely what to do in different social situations at work, but exactly how to do it in a sincere, engaging manner that disguises any ulterior, self-serving motives. These researchers developed the Political Skills Inventory (PSI), an extensive, multidimensional measure of political skill, which included the dimensions of: (a) self and social astuteness, (b) interpersonal influence/control, (c) network building/social capital, and (d) genuineness/sincerity. The PSI has been shown to have strong empirical reliability and validity. The PSI consists of 18 7-point Likert scale questions that test the respondent along four factors: (a) networking ability, (b) apparent sincerity, (c) social astuteness, and (d) interpersonal influence. Questions 1-6 relate to networking ability, questions 7-9 relate to apparent sincerity, questions 10-14 relate to social astuteness, and questions 15-18 relate to interpersonal influence (Ferris et al., 2005). The PSI instrument was administered as a measurement of social effectiveness, and was included in Part C of this study's survey.

Part D of the survey asked the respondents to rank their company relative to similar firms in their industry utilizing a 5-point Likert scale. Key variables included revenue growth, full-time equivalent employee growth, market share growth, net profit growth, and their feelings about overall firm success. In their survey of entrepreneurial research, Rauch, Wiklund, Lumpkin, and Frese (2009) assert that self-perceived performance measures clearly dominate the research field. These self-reported performance measures could introduce issues of common method bias. However, their research indicates that problems of common method variance, memory decay, or social

desirability associated with self-reporting do not pose a serious threat to validity in entrepreneurial studies that they reviewed.

### **Validity and Reliability**

**Validation of the instrument.** Content validity of the survey was established using a panel of experts, which consisted of a professor in the Organizational Leadership doctoral program at the Graduate School of Education and Psychology at Pepperdine University; a professor of graduate level courses in strategy, finance, entrepreneurship, and ethics in the Pepperdine MBA program at the Graziadio School of Business and Management at Pepperdine University; and a YPO member with an extensive entrepreneurial track record. The panel made suggestions for changes to the survey based on literature support, clarity, and completeness. A copy of the research questions and a modified copy of the instrument for the study were sent out to the panel of experts. The modified instrument contained every question on the actual instrument, but each question also included a 3-point scale asking the panel to address whether:

1. The question is directly relevant to the construct it measures – Keep it as stated.
2. The question is not relevant to the construct it measures – Delete it.
3. Please modify the question as suggested:

Questions that received two or more similar votes underwent the suggested modification. Factor analysis was used to determine if constructs existed in each section of the study. A sample of the letter sent to the panel of experts that includes instructions to complete the evaluation, as well as a copy of the modified instrument, is presented in Appendix B.

**Reliability of the instrument.** Reliability of the instrument was determined through a pilot study. A panel of three potential participants was asked to complete the survey and report any ambiguities they observed in the questions posed. Recommendations from this panel were reviewed by the researcher and the dissertation chair and no changes were deemed necessary.

### **Data Collection**

To gather the research data, an online survey was prepared and administered utilizing Survey-Monkey software. Walt, Atwood, and Mann (2008) state that

The differences between electronic and paper media appear to be minor, and do not seem to have a significant effect on overall results. In conclusion, the medium does not seem to overly affect response patterns and does not pose any threats to the validity or *reliability of survey* results. (p. 3)

The survey was sent to all members of YPO/WPO that are business owners of enterprises that they created.

Braunsberger, Wybenga, and Gates' (2007) study is one of the first to empirically show that web surveys can produce more reliable data estimates than telephone surveys. Further, they note that web surveys are cheaper and less time consuming to conduct than telephone surveys.

**Description of parametric, nonparametric, or descriptive analytical tools used.** After validity and reliability of the instrument were established, the survey was presented to the approximately 18,000 members of YPO that represent the overall population. It was offered on an *opt in* basis through the following approaches:

1. The primary approach was through a procedure managed and promoted by YPO directly. Specifically, YPO featured a story on the researcher and the focus of the research in the monthly electronic newsletter (eNews), publishing it on the front page of the main website (MyYPO) and as well as in a specific section of the YPO website (the Exchange).
2. The researcher also contacted members directly through one of the specific interest networks that are maintained as part of the value proposition of YPO. The largest and most active of these Networks is the *Deal Network*. At the most recent count, this network has 4,336 members. Members in this network actively post and respond to potential offers to invest, provide high level contacts to members upon request, and requests for advice on deal structure, professionals in various markets, or references. As a member of these networks, the researcher was able to post directly onto the site. The published communication rules of the Deal Network may be found in Appendix C.

The data for this study were collected only through an online survey. Data collection was completely anonymous with respect to both the identity and survey responses, although certain demographic-related questions were included in this survey, including age, sex, level of education, and country of birth.

The initial page of the survey included a full disclosure of the nature of the research and how the researcher would manage data generated from the survey. This disclosure requested participants' consent to utilize their information in a manner that would be consistent with the study's goals. Full assurances were given as to the confidential nature in which the survey and the responses would be kept, anonymity of

the participants, as well as the storage, analysis, and reporting of the data. The informed consent narrative can be seen in Appendix D.

**Protection of human subjects.** Research that involves human participants is required to comply with Federal, ethical, and professional standards of research, including the principles contained in the Belmont Report, so that the dignity and welfare of the subjects are protected (Pepperdine University, 2009). The researcher has completed training on federal guidelines for the protection of human participants/ subjects, as required by Pepperdine University (2009). The completion certificate for this training may be found in Appendix E.

After the Dissertation Committee approved the research proposal and plan, it was submitted to Pepperdine University's Institutional Review Board (IRB) for review and approval of the methods to be used to collect, store, analyze, and report on the data acquired in this study. Human subjects, as defined by the Protection of Human Participants policy manual, are "living individuals about whom an investigator (whether professional or student) conducting research obtains (1) data through intervention or interaction with the individual, or (2) identifiable private information" (Pepperdine University, 2009, p. 10). The IRB is required to consider the following factors when research includes human subjects: risks to subjects, plans to minimize risk, and the classification of the research.

Depending on the proposed research plan, the population being surveyed, and the risk level for the participants, there are three categories or levels of IRB review (Pepperdine University, 2009). The categories and general criteria are as follows:

- Exempt: No risk of criminal or civil liability, employability, or damage to subject's financial standing or reputation; research does not use a protected group as subjects; no more than a minimal risk to subjects; study does not involve deception; research employing survey methodologies is within the exempt category per Code of Federal Regulations 45 CFR 46.101 (b) (2).
- Expedited: Exempt criteria, plus may involve studies of drugs and medical devices, blood or other biological samples, medical diagnostics, data collection through electronic means, continuing review of previously IRB-approved research.
- Full Review: Activities that do not meet the criteria of Exempt or Expedited review.

All contact with survey participants was electronic and one-way, from participant to researcher, in the form of a completed survey. Therefore, risk to participants was mitigated and all information was and will be kept confidential. Pepperdine University's approved the survey as Exempt on February 19, 2013.

### **Data Analysis**

The survey instrument gathered information to be analyzed in different ways in an attempt to provide insight into the respondent entrepreneurs' demographics as they may relate to venture success. The results were descriptive in nature and included means, standard deviations, and frequencies analyses. Additionally, as appropriate, inferential analysis was performed utilizing Spearman Correlations, ANOVAs, and multiple regressions to identify patterns and make inference about applications to a broader

population. It is noted that in the absence of a random sample, the generalizability of the findings will be limited.

Table 2 reflects the research questions, which part of the survey instrument was utilized in the analysis, and the particular analytical strategy and tools to be used. Table 3 indicates the scale for each question in the survey instrument.

Table 2

*Data Analysis Chart*

Research Question	Parts of the Survey Instrument	Data Analysis Tool(s)
1. How do responding YPO members' demographic characteristics relate to venture success?	Parts A and D	Spearman Correlation One-way Anova
2. How do the various components of social capital relate to venture success among YPO members?	Parts B and D	Spearman Correlation
3. How does the responding YPO members' social effectiveness relate to venture success?	Parts C and D	Spearman Correlation
4. Does a linear relationship exist among the components of social capital, components of social effectiveness, and degree of success of new ventures by YPO members?	Parts A, B, C, and D	Multiple Regression



Table 3

*Scale for Variables*

Question	Part A	Question	Part B	Question	Part C	Question	Part D
1	Nominal	1. A	Ordinal	1	Ordinal	1	Ordinal
2	Nominal	B	Ordinal	2	Ordinal	2	Ordinal
3	Nominal	C	Ordinal	3	Ordinal	3	Ordinal
4	Ratio	D	Ordinal	4	Ordinal	4	Ordinal
5	Ratio	E	Ordinal	5	Ordinal	5	Ordinal
6	Ratio	F	Ordinal	6	Ordinal		
7	Nominal	G	Ordinal	7	Ordinal		
8	Ordinal	H	Ordinal	8	Ordinal		
9	Nominal	I	Ordinal	9	Ordinal		
10	Ratio	J	Ordinal	10	Ordinal		
11	Nominal	K	Ordinal	11	Ordinal		
12	Nominal	L	Ordinal	12	Ordinal		
13	Ratio	M	Ordinal	13	Ordinal		
		N	Ordinal	14	Ordinal		
				15	Ordinal		
		2	Ratio	16	Ordinal		
		3	Ratio	17	Ordinal		
		4	Ratio	18	Ordinal		
		5	Ratio				
		6	Ratio				
		7	Ratio				
		8	Ordinal				

## Chapter 4: Results

This dissertation, which focused on YPO members, examined the relationship among various components of social capital, degrees of social effectiveness, and degrees of venture success. One hundred twenty respondents participated in this study.

Table 4 displays the frequency counts for selected demographic variables. As for the industry in which the respondent worked, the most common were services (30.0%), real estate (15.0%) and technology (11.7%). The United States (70.8%) was the most common location for their company headquarters. Eighty-four percent had graduated from college and over half (53.4%) had also earned a graduate degree. With regard to country of origin, slightly more than half of the respondents (57.5%) were born in the United States.

Table 4

*Frequency Counts for Selected Demographic Variables*

Variable	Category	<i>n</i>	%
2. Industry	Agriculture	1	0.8
	Construction	8	6.7
	Technology	14	11.7
	Manufacturing	7	5.8
	Retail	7	5.8
	Services	36	30.0
	Telecommunications	2	1.7
	Transportation	2	1.7
	Wholesale	7	5.8
	Real Estate	18	15.0
	Other	18	15.0
3. Company Headquarters	Brazil	3	2.5
	Canada	9	7.5
	United States	85	70.8
	Other	23	19.2
	High school	4	3.3

(continued)

Variable	Category	<i>n</i>	%
8. Highest education	Some college	15	12.5
	Graduated from college	34	28.3
	Some graduate school	3	2.5
	Completed graduate school	41	34.2
	Post graduate study	23	19.2
9. What country were you born in?	Brazil	3	2.5
	Canada	9	7.5
	United States	69	57.5
	Other	38	31.7

*Note.*  $N = 120$ . Data gathered in Part A of the survey.

Table 5 displays the descriptive statistics for selected demographic variables.

These included the number of full-time equivalent employees ( $M = 402.29$ ), years that the company had been in existence ( $M = 13.96$ ), the age of the respondents ( $M = 47.14$ ), their years of experience ( $M = 17.89$ ) and the number of companies they had founded ( $M = 4.29$ ).

Table 5

*Descriptive Statistics for Selected Demographic Variables*

Variable	<i>M</i>	<i>SD</i>	Low	High
4. Number of full-time equivalent employees	402.29	1,894.92	1.00	20,000.00
5. Years the company has been in existence	13.96	9.34	0.50	40.00
6. Age	47.14	7.52	28.00	69.00
10. Years of experience	17.89	10.08	0.00	40.00
11. Number of companies founded	4.29	3.34	1.00	16.00

*Note.*  $N = 120$ . Data gathered in Part A of the survey.

Table 6 displays the descriptive statistics for the level of support the respondent received from 17 different categories of people. These ratings were based on a 5-point metric (1 = *No support* to 5 = *High level of support*). Highest levels of support were found from spouse/life partner ( $M = 3.38$ ) and business partners ( $M = 3.27$ ). Lowest

levels of support were found from college alumni ( $M = 1.73$ ) and former employers ( $M = 1.85$ ).

Table 6

*Descriptive Statistics for Level of Support Sorted by Highest Mean Rating*

Group	<i>M</i>	<i>SD</i>
1b. Spouse/Life Partner	3.38	1.61
1f. Business Partners	3.27	1.54
1p. Customers	2.82	1.41
1l. Mentors	2.80	1.47
1a. Parents	2.73	1.59
1d. Friends	2.73	1.26
1m. Forum members	2.54	1.64
1o. Vendors	2.48	1.38
1n. Other YPOers or WPOers	2.35	1.55
1j. Acquaintances	2.23	1.21
1h. Former Co-workers	2.23	1.34
1k. Business Community Leaders	2.15	1.33
1q. Professionals or business consultants	2.10	1.24
1e. Friends of friends	2.08	1.18
1c. Relatives	2.04	1.29
1g. Former Employers	1.85	1.31
1i. College Alumnus	1.73	1.12

*Note.*  $N = 120$ . Ratings based on a 5-point metric: 1 = No support to 5 = High level of support. Data gathered in Part B of the survey.

Table 7 displays the descriptive statistics for social capital active maintenance categories sorted by highest mean. The highest category was for the number of prominent business individual relationships maintained ( $M = 23.15$ ), while the lowest category was for the number of civic organization relationships maintained ( $M = 8.86$ ).

Table 7

*Descriptive Statistics for Social Capital Active Maintenance Categories Sorted by**Highest Mean*

Variable	<i>M</i>	<i>SD</i>	Low	High
4. Number of prominent business individual relationships maintained	23.15	110.76	0.00	1,200.00
2. Number of family relationships maintained	17.03	34.47	0.00	200.00
5. Number of competitor relationships maintained	14.71	53.34	0.00	508.00
6. Number of YPO/WPO relationships maintained	12.68	15.95	0.00	100.00
3. Number of civic organization relationships maintained	8.86	19.47	0.00	150.00

*Note.*  $N = 120$ . Data gathered in Part B of the survey.

Table 8 displays the descriptive statistics for the percentage of individuals from various groups and how much they interact or know each other sorted by the highest mean. The highest percentages were associated with Item 7a, “Family and Friends and Other People” ( $M = 28.67$ ) and Item 7d, “Family and Friends and YPO/WPOers” ( $M = 26.87$ ). In contrast, the lowest percentages were associated with Item 7c, “Family and Friends and Industry Associates” ( $M = 14.03$ ) and Item 7f, “Industry Associates and YPO/WPOers” ( $M = 14.50$ ).

Table 8

*Descriptive Statistics for Percentage of the Groups Interact or Know Each Other Sorted**by Highest Mean*

Variable	<i>M</i>	<i>SD</i>	Low	High
7a. Family and Friends and Other People	28.67	28.59	0.00	100.00
7d. Family and Friends and YPO/WPOers	26.87	25.45	0.00	100.00

(continued)

Variable	<i>M</i>	<i>SD</i>	Low	High
7i. Business Community People and YPO/WPOers	23.71	20.78	0.00	95.00
7b. Family and Friends and Business Community People	20.30	19.42	0.00	90.00
7e. Other People and Business Community People	20.10	18.42	0.00	95.00
7g. Other People and YPO/WPOers	18.16	18.05	0.00	100.00
7j. Industry Associates and YPO/WPOers	16.52	15.72	0.00	70.00
7f. Other People and Industry Associates	14.50	16.03	0.00	80.00
7c. Family and Friends and Industry Associates	14.03	16.54	0.00	75.00

*Note.*  $N = 120$ . Data gathered in Part B of the survey.

Table 9 displays the descriptive statistics for the 18 PSI statements sorted by highest rating. These ratings were based on a 7-point metric (1 = *Strongly disagree* to 7 = *Strongly agree*). The highest levels of agreement were found with statement 8, “when communicating with others, I try to be genuine in what I say and do” ( $M = 6.82$ ) and statement 7, “it is important that people believe that I am sincere in what I say and do” ( $M = 6.78$ ). The lowest levels of agreement were found with statement 5, “I spend a lot of time and effort developing connections with others” ( $M = 5.25$ ) and statement 3, “I am good at using my connections and network to make things happen” ( $M = 5.53$ ).

Table 9

*Descriptive Statistics for the Political Skills Inventory Statements Sorted by the Highest Rating*

Statement	<i>M</i>	<i>SD</i>
8. When communicating with others, I try to be genuine in what I say and do.	6.82	0.48
7. It is important that people believe that I am sincere in what I say and do.	6.78	0.57
9. I try to show a genuine interest in other people.	6.47	0.69

(continued)

Statement	<i>M</i>	<i>SD</i>
16. I am able to make most people feel comfortable and at ease around me.	6.03	0.93
15. It is easy for me to develop good rapport with most people.	6.00	1.01
17. I am able to communicate easily and effectively with others.	5.91	1.05
11. I have good intuition or “savvy” about how to present myself to others.	5.90	0.93
2. I know a lot of important people and am well connected.	5.82	1.20
18. I am good at getting people to like me.	5.78	1.03
6. I am good at building relationships with influential people in business situations.	5.72	1.13
13. I pay close attention to peoples’ facial expressions.	5.68	1.20
4. I have developed a large network of colleagues and associates who I can call on for support when I really need to get things done.	5.67	1.24
1. I spend a lot of time and effort in business situations networking with others.	5.63	1.43
10. I always seem to instinctively know the right things to say or do to influence others.	5.63	1.02
14. I understand people very well.	5.57	1.07
12. I am particularly good at sensing the motivations and hidden agendas of others.	5.55	1.10
3. I am good at using my connections and network to make things happen.	5.53	1.44
5. I spend a lot of time and effort developing connections with others.	5.25	1.54

*Note.*  $N = 120$ . Ratings based on a 7-point metric: 1 = *Strongly disagree* to 7 = *Strongly agree*. Data gathered in Part C of the survey.

Table 10 displays the descriptive statistics for venture success variables sorted by highest mean. These ratings were made based on a 5-point metric (1 = *Low performer* to 5 = *High performer*). The highest rated venture success variable was “annual sales/revenue growth rate” ( $M = 4.21$ ), whereas the lowest rated venture success variable was “annual growth in number of employees” ( $M = 3.45$ ).

Table 10

*Descriptive Statistics for Venture Success Variables Sorted by Highest Mean*

Metric	<i>M</i>	<i>SD</i>
1. Annual Sales/Revenue Growth Rate	4.21	0.85
5. Overall Firm Performance/Success	4.11	0.71
4. Annual Growth in Net Profit	3.90	0.92
3. Annual Growth in Market Share	3.74	1.00
2. Annual Growth in Number of Employees	3.45	1.11

*Note.*  $N = 120$ . Ratings were based on a 5-point metric: 1 = *Low performer* to 5 = *High performer*. Data gathered in Part D of the survey.

Table 11 displays the psychometric characteristics for the summated scale scores. For five of six scales, the Cronbach alpha reliability coefficients were greater than  $\alpha > .70$ , which suggests that those scales had acceptable levels of internal reliability (McMillan & Schumacher, 2010). However, one of the scales, apparent sincerity ( $\alpha = .61$ ), was lower than the generally accepted standard.

Table 11

*Psychometric Characteristics for Summated Scale Scores*

Scale	Number of Items	<i>M</i>	<i>SD</i>	Low	High	$\alpha$
Total Venture Success	5	3.88	0.68	1.80	5.00	.78
Total Social Effectiveness	18	5.87	0.63	4.06	7.00	.88
Networking Ability	6	5.60	1.08	2.00	7.00	.90
Apparent Sincerity	3	6.69	0.44	4.33	7.00	.61
Social Astuteness	5	5.66	0.81	3.40	7.00	.82
Interpersonal Influence	4	5.93	0.87	2.75	7.00	.89

*Note.*  $N = 120$



### Answering the Research Questions

Cohen (1988) suggested some guidelines for interpreting the strength of linear correlations. He suggested that a weak correlation typically had an absolute value of  $r = .10$  (about 1% of the variance explained), a moderate correlation typically had an absolute value of  $r = .30$  (about 9% of the variance explained), and a strong correlation typically had an absolute value of  $r = .50$  (about 25% of the variance explained). Given the 249 correlations calculated in this study, a researcher would expect about 12 correlations (5% of the total correlations) to be statistically significant ( $p < .05$ ) simply due to random fluctuations in the data (McMillan & Schumacher, 2010). Therefore, for the sake of parsimony, the following section will primarily highlight those correlations that were of at least moderate strength to minimize the potential for numerous Type I errors stemming from interpreting and drawing conclusions based on potentially spurious correlations.

Research Question One asked, “How do responding YPO members’ demographic characteristics relate to degrees of venture success?” To answer this question, the series of Spearman rank-ordered correlations were calculated comparing the demographic variables with the six measures of venture success. Non-parametric Spearman correlations were chosen over the more common Pearson product moment correlations due to the fact that many of the variables in the study were measured on the ordinal level. The 12 demographic variables were compared with the six measures of venture success. For the resulting 72 correlations, 15 were statistically significant at the  $p < .05$  level and four of the correlations were of moderate strength using the Cohen (1988) criteria. Specifically, the number of full-time equivalent employees in the company had moderate

strength positive correlations with: (a) total venture success ( $r_s = .37, p = .001$ ), (b) annual growth in number of employees ( $r_s = .43, p = .001$ ), and (c) annual growth in market share ( $r_s = .42, p = .001$ ). In addition, the respondents' age had a moderate strength negative correlation with the annual growth in number of employees ( $r_s = -.31, p = .001$ ).

Research Question Two asked, "How do the various components of social capital relate to degrees of venture success among YPO members?" To answer this question, Spearman rank ordered correlations were calculated to compare the 39 measures of social capital with the six measures of venture success. For the resulting 234 correlations, 13 were statistically significant at the  $p < .05$  level, but none of the correlations were of moderate strength using the Cohen (1988) criteria.

Research Question Three asked, "How does the responding YPO members' social effectiveness relate to venture success?" To answer this question, Spearman rank ordered correlations were calculated to compare the five measures of social effectiveness with the six measures of venture success. For the resulting 30 correlations, six were statistically significant at the  $p < .05$  level, but none of the correlations was of moderate strength using the Cohen (1988) criteria. However, two of the correlations were very close (Social Astuteness had a correlation coefficient of .292 at a  $p < .01$  with Overall Firm Performance and the Aggregated Social Effectiveness score had a correlation coefficient of .262 at a  $p < .004$ ).

As an additional analysis, the ratings for the 18 individual social effectiveness statements were correlated with the six measures of venture success. For the resulting 108 correlations, 17 were statistically significant at the  $p < .05$  level and four correlations

were of moderate strength using the Cohen (1988) criteria. Specifically, the statement “I am good at building relationships with influential people in business situations” had moderate strength positive correlations with the total venture success score ( $r_s = .32, p = .001$ ) and the annual growth in market share rating ( $r_s = .33, p = .001$ ). In addition, the overall firm performance/success metric had moderate strength positive correlations with the statement “I am particularly good at sensing the motivations and hidden agendas others ( $r_s = .32, p = .001$ )” and the statement “I am able to make most people feel comfortable and at ease around me ( $r_s = .30, p = .001$ ).

Research Question Four asked, “Does a linear relationship exist among the components of social capital, components of social effectiveness, and degree of success of new ventures by YPO members?” To answer this question, Table 12 displays the results of the stepwise multiple regression prediction model used to predict the total venture success score based on 56 candidate variables. Stepwise multiple regression was used to develop a parsimonious solution and avoid potential problems of multicollinearity (strong inter-correlations among the independent variables). The final five-variable model was significant ( $p = .001$ ) and accounted for 21.3% of the variance in the total venture success score. Inspection of the table found the total venture success score to be higher for respondents who: (a) were not in the real estate industry ( $\beta = -.20, p = .03$ ), (b) had a higher percentage of family and friends who knew industry associates ( $\beta = .22, p = .009$ ), (c) were younger ( $\beta = -.23, p = .007$ ); (d) had higher social astuteness scale scores ( $\beta = .20, p = .02$ ), and (e) had less support from relatives ( $\beta = -.19, p = .02$ ).

Table 12

*Prediction of Total Venture Success Based on Selected Variables: Stepwise Multiple Regression*

Variable	<i>B</i>	<i>SE</i>	$\beta$	<i>p</i>
Intercept	4.06	0.53		.001
Real estate industry <sup>a</sup>	-0.37	0.16	-.20	.03
Percentage of Family and Friends and Industry Associates	0.01	0.00	.22	.009
Age	-0.02	0.01	-.23	.007
Social Astuteness scale	0.17	0.07	.20	.02
Support from Relatives	-0.10	0.04	-.19	.02

*Note.*  $N = 120$ . Final Model:  $F(5, 114) = 6.17, p = .001, R^2 = .213$ . Candidate variables = 56.

<sup>a</sup> Coding: 0 = *No* 1 = *Yes*.

In conclusion, this dissertation examined the relationship among various components of social capital, degrees of social effectiveness, and degrees of venture success for 120 respondents. In the final chapter, the findings will be compared to the literature, conclusions and implications will be drawn, and a series of recommendations will be suggested.

## Chapter 5: Discussion

### Introduction

The present study encompassed four areas that the researcher wished to examine in regards to members of the YPO. First, the study examined the demographic makeup of survey respondents and whether those characteristics had any correlation to the measures of success chosen as key indicators. Second, the study examined the makeup, size, density, and perceived importance of social capital from the entrepreneurs' perspective, and then examined any correlation with the measures of success. Third, the study examined the respondents' social effectiveness as measured by the PSI and examined correlations between the results and the measures of success. Finally, this study attempted to determine if any correlations existed between the respondents' social capital, their social effectiveness, and the measures of success.

### Discussion of Results

**Demographics.** In looking at the YPO respondents' demographics, 84.2% had completed a college or higher level of education. Also, 57.5% of the respondents were born in the United States, and 70.8% had headquarters located in the US. The average age of respondents was 47 years and 2 months old; respondents had an average of 17 years and 11 months of experience in the same or related field. On average, the company that they founded had been in business for 14 years and they had founded an average of 4.29 companies in their career to date.

Several interesting facts were derived from the demographic section of the survey. The researcher found a moderate negative correlation between companies that identified themselves as being in the real estate field and the aggregate metric for business success.

This correlation indicated that they were negatively correlated to the venture success metrics compared to other industries. This is interesting due to the current economic environment and the fact that the real estate industry has ostensibly suffered more than most other industries. One possible explanation for this correlation is the expression of that fact.

A secondary demographic finding is a moderate negative correlation between the age of the respondent and the success metric that asked respondents to rate the annual growth rate in number of employees. The finding indicates that younger aged entrepreneurs had a lower employee growth rate than did older respondents. While the exact reason for this result is unknown, a theory may be advanced that younger entrepreneurs start their ventures as a much smaller level and grow them more slowly than do entrepreneurs of an older age.

There are moderate/strong correlations that company size has a positive correlation with several of the success metrics, including: company size and the Aggregated Performance Ranking (.374,  $p < .000$ ), Annual Growth in Number of Employees (.430,  $p < .000$ ) and the Annual Growth in Market Share (.424,  $p < .000$ ). Additionally, there was a weak correlation between company size and the Annual Sales/Revenue Growth Rate (.285,  $p < .002$ ). One possible explanation for this may be that bigger companies exercise greater staying power and growth than do smaller ones. In effect, this may be an issue of size. Korunka et al. (2010) found that the size of a business has an impact on survival rates and that larger businesses show higher survival rates due to having better resources.

There was a moderate positive correlation between the number of full time equivalent employees a respondent's company reported and the Aggregated Performance Metric, the Annual Sales/Revenue Growth Rate, the Annual Employee Growth Rate, and the Annual Growth in Market Share. The respondent's age showed a moderate negative correlation with the Annual Growth in Number of Employees.

**Social capital.** One purpose of the survey was to gather a snapshot of the components of YPO members' social capital networks at a point in time. Past research has created an operational definition of social capital as the size, strength, and mix of an individual actor's network (Davidsson & Honig, 2003). The survey asked questions about the level of support received by founders, level of overlap between the various networks, and number of active relationships in each of the founders' networks.

In looking at the level of the respondents' social capital, responses to Section B, Question 1A-Q indicate that 7 out of 17 categories of support groups provided moderate levels of support or greater when the answer was rounded to a whole number. Members in aggregate rated Spouse/Life Partners (3.38), Business Partners (3.27), and Customers (2.82) as the top three social capital groups providing the most support. Relatives (2.04), Former Employers (1.85), and College Alumni (1.73) were the three lowest ranked social capital groups in terms of support. Further, the responses to Section B, Questions 2-6 indicate that the total number of active contacts (meaning several contacts each month) that each member maintains is 76.

The strength of a member's network is illustrated by both of the aforementioned variables as well as looking at the overlap of various networks. The more overlap, the greater the density and embeddedness the social capital. The survey indicated that the

respondents had a dense network by virtue of the extensive overlapping of the individual networks and the number of contacts that are actively maintained across multiple networks. Coleman (1988) asserts that founders call upon their close ties to form dense networks that allow efficient transmission of information between the members, which in turn establishes trust and enforcement of social norms. Family and Friends and Other People (28.67%) and Family and Friends and YPOers (26.87%) represented the largest of the overlapping groups. In terms of active relationships maintained by entrepreneurs, Civic Organizations (8.86) contained the fewest on average, whereas Prominent Business Individuals (23.15) represented the largest group. The second largest group of active relationships was with Family and Friends (17.03).

Probably the most interesting result of the social capital analysis occurred while examining the overlap of the individual networks. In the overlap between Friends and Family and Industry Associates, a weak positive correlation was found with both the Aggregated Performance Rankings and Annual Growth in Number Employees.

Similarly, the mix of a member's social capital is reflective of the aforementioned items and the results of Section B, Question 8, which indicate the ranking that they attribute to the importance of each network in facilitating their startup efforts. The survey results did disclose a diverse and generally supportive system of networks that the entrepreneur could utilize to gather market knowledge and critical resources necessary to take advantage of opportunities. Aldrich and Zimmer (1986) state that an entrepreneur's personal network is the totality of all the people and groups he/she knows, connected by a certain type of relationship. The network may include family, friends and acquaintances, church members, suppliers, co-workers, employees, trade associations, and professional



groups. They also note that networks are rich in the resources that entrepreneurs need to succeed, promoting social learning, adaptive responses, and the diffusion of new ideas. These survey results indicate that the respondents received the most support from their spouses or partners and then from business partners. They received the least support from college alumni and former employers.

In further examining entrepreneurial founders' social capital, the researcher had expected to find statistically significant relationships with venture success. The results of this study did not generate any correlations at a moderate or higher level, which is inconsistent with the literature.

Non-parametric Spearman correlations were chosen over the more common Pearson product moment correlations due to the fact that many of the variables in the study were measured on the ordinal level. Spearman rank ordered correlations were calculated to compare the 39 measures of social capital with the six measures of venture success. For the resulting 234 correlations, 13 were found to be statistically significant at the  $p < .05$  level, but none of the correlations were of moderate strength using the Cohen (1988) criteria.

Entrepreneurial founders that exhibited a high level of social capital have been theorized to have a diverse mix, strength, and diversity of networks with which to obtain market knowledge and resources that are required to identify and take advantage of market opportunities. This increased access to knowledge and resources is expected to allow these founders to be more innovative and more profitable than founders with less access to these resources (Davidsson & Honig, 2003; Florin et al., 2003).

A possible reason for a lack of statistically significant correlations may be due to the possibility that an entrepreneurial founder's use of social capital and networks may contribute more to the founding or startup phase of his/her entrepreneurial efforts and depend less on the actual operating and performance of the venture (Tocher, 2007). Supplemental to that thought is the possibility that the founder's knowledge base is less influential on success than the collective entity's knowledge base held in all employees and their collective social capital (Florin et al., 2003). So while entrepreneurial efforts created by founders with substantial social capital may have more knowledge than ventures operated by entrepreneurs with lesser levels of social capital, and therefore lesser knowledge, the venture's combined knowledge base may contribute more to venture success (Tocher, 2007).

Along those same lines, entrepreneurs who have access through their networks and knowledge and resources to take advantage of an opportunity may not be able to communicate that knowledge appropriately or be able to effectively set the proper vision for such an opportunity. Several previous studies have indicated that a founder's social capital exerts a positive influence on new venture success (Davidsson & Honig, 2003; Lechner et al., 2006). Tocher (2007) found that venture creators with higher social effectiveness tended to have higher levels of success than founders who were less socially effective. However, he found no significant correlation that entrepreneurs with high social capital had greater levels of success than those with less social capital.

Another possible cause for the lack of correlation may be tied to the focus of the founder's social capital. The items used in defining social capital may have focused too strongly on areas of strong ties and the expense of fully understanding the value of the

weak ties. Close ties are evidenced by closer interpersonal relationships similar to those found with families, friends, forum mates, and mentors. Weak relationships are looser acquaintance relationships such as friends of friends and perhaps membership in civic or community organizations (Granovetter, 1973, 1985). Weak relationships were included in this study, but perhaps not sufficiently.

Another possibility for the lack of statistically significant correlations could be due to a *restriction of range* issue. YPO is an elite organization that has minimum business size and employee levels for membership. These minimum standards are required to be annually certified by outside sources. Therefore, the success metrics may be muted by virtue of the inherent levels of success already being calculated in the base YPO case, thereby creating a closely ranged set of data.

A final thought on why statistically significant correlations were not found between founders' social capital and measures of success is possibly due to the success metrics being collected at one point in time. While the success measures asked for changes in different aspects of their business that reflect performance over a 1-year period, had the measurements been taken over time, the results may have had more relevance to the concept of success.

**Social effectiveness.** The PSI was administered as a measurement of social effectiveness in Part C of the survey. As previously mentioned, Ferris et al. (2002) suggest that people who are high in political skill know not only precisely what to do in different social situations at work, but also exactly how to do it in a sincere, engaging manner that disguises any ulterior, self-serving motives. Ferris et al. developed the PSI to be an extensive, multidimensional measure of political skill that included the dimensions

of: self and social astuteness, interpersonal influence/control, network building/social capital and genuineness/sincerity. The PSI has been shown to have strong empirical reliability and validity.

Entrepreneurial respondents tended to score relatively high on the PSI. The average score for the total instrument was 5.87, which would be considered *high* when rounded up to the nearest whole number. In the area of social effectiveness, there was a weak/moderate statistically significant correlation between the aggregate PSI score and Overall Firm Performance/Success (.262,  $p < .004$ ). The aggregate PSI score also exhibited a weak correlation with the Aggregated Performance Rankings. Within the various components of political skill, members' *social astuteness* and *interpersonal influence* had a weak/moderate correlation to Overall Firm Performance/Success (.292,  $p < .001$  and .267,  $p < .003$  respectively). While not consistent with previous higher correlations, these findings do provide some emphasis, as noted by Zaccaro et al. (1991). Zaccaro et al. argue that leaders need social perceptiveness to receive and interpret social information, and flexibility of behavior to respond in different ways to different situations directly linking leader effectiveness to social intelligence. Mintzberg (1983) suggests that political skill, or the ability to influence through persuasion, manipulation, and negotiation, is the key skill needed to excel as a socially effective individual.

Specific questions on the PSI evidenced significant correlation when compared to the success metrics. The statement, "I know a lot of important people and am well connected," showed a weak correlation with Annual Growth in Market Share (.268,  $p < .003$ ) and "I am able to make most people feel comfortable and at ease around me"

showed a weak/moderate correlation with Overall Firm Performance/Success (.297,  $p < .001$ ).

The statement with the strongest correlation was “I am good at building relationships with influential people in business situations.” This statement exhibited moderate correlations with the Aggregated Performance Rankings (.322,  $p < .000$ ) and Annual Growth in Market Share (.330,  $p < .050$ ). This question is consolidated into the subset that the PSI instrument refers to as *networking ability*. Ferris et al. (2005) indicate that, while the ability to act on the knowledge that one gains is the first priority, the ability to build connections, friendships, networks, and alliances is also critical.

As mentioned previously, another possibility for the lack of statistically significant correlations regarding social effectiveness and measures of success could be due to a restriction of range issue, as well as the fact that the success metrics were collected at one point in time.

**Correlation between social capital, social effectiveness and entrepreneurial success.** When combining variables of social capital, social effectiveness, and measures of success, the researcher utilized a multiple regression step analysis with the measures of success as the dependent variables. The results showed that none of the individual variables proved significant for predicting any of the performance metrics at a statistically significant level.

Thoughts on why there were no significant correlations are the same as the hypothesis as to why there was a lack of significant correlations on both social capital and social effectiveness: that is, the concept of restriction of range issues, the possibility

that success measures collected over a longer period of time could possibly be more appropriate, and the lack of a unified definition for the measurement of social capital.

### **Recommendations for Future Research**

One of the major problems cited in research on social capital is finding a unified definition that would generate consistent and comparable findings. Dasgupta (2005) asserts that the idea of social capital is a difficult concept to integrate in contemporary economic thinking. He believes that even though the term social capital has a powerful and intuitive appeal, it has been difficult to measure as an economic good. Even though social network researchers have taken the lead in attempting to formalize and empirically measure theories related to social capital, they regard relationships or ties that connect people and groups as the basic data for analysis (Seibert et al., 2001). Future research would do well to focus on generating a singular or unified definition on which social science researchers as well as economists could agree. Focus groups of entrepreneurial founders could very well provide significant insight into areas of social capital of which current scholars are not previously aware.

Another area for further research is searching for correlations of entrepreneurial founders' social capital and levels of entrepreneur social effectiveness. This study focused on combining social capital, social effectiveness, and metrics of success. It would be interesting to explore whether socially effective individuals generate more or better quality social capital.

Another path to explore might be one of examining the social capital of the entire firm. Lechner et al. (2006) note that while the founder's social capital was a positive

influence on new venture success, the mix of network relationships that the entire firm generated was a stronger predictor of firm performance.

Gathering and analyzing information during two or more time periods could also yield more information about the value of a founder's social capital over different phases of a venture's life. For instance, what components of a founder's social capital are most valuable at the start-up phase, growth phase, or mature phase? Does the composition of that social capital change? Does an entrepreneurial founder become more socially effective over time? Answers to all of these questions would help scholars better understand the value of founders' social capital and their social effectiveness.

Another area to explore would be to examine entrepreneurial founders whose ventures have failed. Much could be gathered and learned about founders' social capital in times of uncertainty or when the venture is in survival mode. Research on social effectiveness under strain might also provide substantial insight into these relationships.

The present study provided additional testing and understanding of the relationship between social effectiveness and various metrics of entrepreneurial success. Tocher (2007) notes that earlier studies utilized a relatively constrained sample population. Having access to the YPO organization has allowed the researcher to include respondents from around the world. Future research utilizing the same sample of YPO members might focus on the social capital and social effectiveness of respondents in different countries and cultures.

One of the primary findings of this study was that few *linear* relationships were found between the social variables and venture success. Potentially, the real relationships could be *curvilinear*, in that beyond a certain fundamental and necessary amount of a

particular social skill or social support system, increases in that dimension beyond the minimum necessary requirements become less and less predictive of venture success. Future research should address that possibility.

A possible contributor to the lack of statistically significant correlations may be the homogeneity of YPO members and the success criteria that were selected. In general, membership in YPO already requires a substantial level of success. If researchers had a sample that represented more diversity of levels of success, the results may have shown more predictive results. Correlations thrive in an environment of varied responses. In a closely ranged set of data, the problem of restriction of range can become an issue.

### **Limitations of Current Study**

Like any research study, this effort had limitations. The first major limitation of this study is that the data were gathered via a self-reported survey completed directly by the entrepreneurial YPO members. However, despite that limitation, self-report data have been shown to be reliable, especially when given by a top executive (Nayyar, 1992; Tan & Litschert, 1994). By definition, all of those responding were founders/CEO/Presidents/Managing Directors of their companies as a prerequisite for membership in YPO. Also, the information for two of the main variables in this study (i.e., social capital and social effectiveness of new venture founders) is almost always collected through self-report surveys due to the fact that there is almost no other way to obtain this information (e.g., Ferris et al., 2005; Florin et al., 2003; Lechner et al., 2006).

A second major limitation of this study is that the data were collected in only one round. It certainly would be preferable to be able to make multiple observations over the period of several years, especially with regards to operating data. Time series data might



help the researcher to provide a stronger causal relationship between founder social capital, as well as between founder social effectiveness and new venture success. Additionally, receiving operating data over multiple periods and years would allow the researcher to better define and scale success and provide an opportunity to determine a stronger causal relationship. Given that this is a dissertation, it was impractical to invest that length of time in the research.

Finally, because *success* was initially defined in this study as membership in YPO, the researcher was limited in his ability to judge the participants' actual level of success. Some may merely continue to qualify, which is no small accomplishment; however, the researcher was unable to sort out the super-successes from the baseline.

### **Contributions to the Literature**

This study contributed to the literature regarding entrepreneurial founders, their social capital, social effectiveness, and venture success. It has added to the scholarly understanding of these topics by gathering information from within an organization that has heretofore been inaccessible.

Specifically, this study added to the literature by providing another empirical look at the social capital of a population, the specific components of that social capital, and the search for statistically significant correlations between the various components and venture success metrics. The entrepreneurs' social capital was analyzed in terms of size, strength, and mix based on the respondents' indications of levels of support, overlap of different networks, and the number of active relationships that they maintain.

This study has also added to the literature by expanding the body of research that has utilized the PSI as a measure of social effectiveness. When comparing the

respondents' scores on the PSI with various metrics of success, the researcher did find several areas of statistically significant correlation. The PSI is a highly validated instrument that was specifically designed for use in business situations. Even though the correlations were not as strong as those found in previous studies, the body of knowledge in this area was expanded.

Tocher (2007) asserted that, to his knowledge, his dissertation provided only the second scholarly effort to examine the correlation between social capital, social effectiveness, and venture success. This researcher was unable to find any others published since Tocher's in 2007. That would make this study only the third scholarly effort at attempting to understand these relationships. Previous literature has theorized that high levels of social capital and social effectiveness would lead to greater access to knowledge and venture opportunities and, therefore, higher levels of success (Baron & Markman, 2000; Florin et al., 2003). Even though this study did not find those correlations, an empirical examination of those theories does add to the literature on the subjects.

This study examined 120 members of YPO International that are currently running an entrepreneurial venture that they founded. The ages of the ventures were varied as were the ages of the founders. The ventures were also located all over the world and have achieved a certifiable level of success through their membership. The reason for using this particular sample was to apply a different pool of data than ones used in previous studies on the topics of social capital and social effectiveness. The hope was to see if previous results could be generalized to this sample. The present study did not yield statistically significant results in terms of correlations between social capital and venture

success; a few correlations were found between social effectiveness and measures of success. No significant results were found related to social capital, social effectiveness, and venture success working together. However, due to a preponderance of previous literature findings, it should not be suggested that no relationship exists.

The present study provided additional testing and understanding of the relationship between social effectiveness and various metrics of entrepreneurial success with a new sample population. Tocher (2007) notes that earlier studies utilized a relatively constrained sample population. Being able to access the YPO organization has allowed the researcher to include respondents from around the world and in many different industries.

### **Conclusion**

Social capital and social effectiveness are two important concepts that have received considerable scholarly attention over the past few years. Baron and Markman (2000) assert that entrepreneurs are able to open doors and gain access to people and information by utilizing two factors: their social capital (actual and potential resources gained through having a favorable reputation, high status and personal referrals) and their social skills (their ability to interact effectively with others).

Entrepreneurs are on the leading edge of innovation and risk-taking in an effort to generate positive economic benefits both to the entrepreneur and the overall economy. Therefore, this line of inquiry seems particularly exciting and the benefits to understanding the correlations between these variables can add to the likelihood of success through conscious efforts to expand their networks and to develop more effective social skills.

Previous studies have confirmed that socially effective founders exhibited higher levels of venture success. In a 2009 research study, Baron and Tang found that entrepreneurial social skills positively influenced new venture performance. However, few studies have analyzed the interaction between venture founders' social capital, social effectiveness, and levels of venture success.

Consistent with the researcher's expectations, this study did uncover a few statistically significant correlations between a founder's social effectiveness and venture success. This seems to support the idea that entrepreneurial founders with higher levels of social effectiveness would experience higher levels of venture success. Contrary to the researcher's expectations, this study found no statistically significant correlations between elements of the founders' social capital and the various measures of success. Further, the study did not reveal any statistically significant correlations between founders' social capital and social effectiveness.

In conclusion, this study does provide some additional empirical support for the idea that social effectiveness can help further an entrepreneur's success in his/her business venture. The statistical results indicated that higher levels of social effectiveness in two core components (*social astuteness* and *interpersonal influence*) are positively correlated to venture success. Even though no correlations were found between social capital, social effectiveness, and venture success, previous literature and common sense would indicate that they may still exist.

## REFERENCES

- A question of trust. (2003, February 20). *The Economist*. 74. Retrieved from <http://www.economist.com/node/1592530>
- Aldrich, H. E., & Ruef, M. (2006). *Organizations evolving*. London, UK: Sage.
- Aldrich, H. E., & Zimmer, C. (1986). Entrepreneurship through social networks. In D.L. Sexton & R. Smilor (Eds.), *The art and science of entrepreneurship* (pp. 3-23). Cambridge, MA: Ballinger.
- Andriani, L., & Karyampas, D. (2009). *A new proxy of social capital and the economic performance across the Italian regions*. Retrieved from <http://www.ems.bbk.ac.uk/research/wp/PDF/BWPEF0903.pdf>
- Axelrod, R. M. (1984). *The evolution of cooperation*. New York, NY: Basic.
- Bandura, A. (1997). *Self-efficacy: The exercise of control*. New York, NY: W. H. Freeman.
- Baron, R. A., & Markman, G. D. (2000). Beyond social capital: How social skills can enhance entrepreneurs' success. *Academy of Management Executives*, 14(1), 106-116. doi:10.5465/AME.2000.2909843
- Baron, R. A., & Tang, J. (2009). Entrepreneurs' social skills and new venture performance: Mediating mechanisms and cultural generality. *Journal of Management*, 35(2), 282-306. doi: 10.1177/0149206307312513
- Baumol, W. J. (1990). Entrepreneurship: Productive, unproductive, and destructive. *Journal of Political Economy*, 98(5), 893-921. doi:10.1086/261712
- Baumol, W. J. (1993). Formal entrepreneurship theory in economics: Existence and bounds. *Journal of Business Venturing*, 8(3), 197-210. doi:10.1016/0883-9026(93)90027-3
- Becker, G. S. (1993). *Human capital: A theoretical and empirical analysis with special reference to education* (3<sup>rd</sup> ed.). Chicago, IL: University of Chicago Press.
- Belliveau, M. A., O Reilly, C. A. III, & Wade, J. B. (1996). Social capital at the top: Effects of social similarity and status on CEO compensation. *Academy of Management Journal*, 39(6), 1568-1593. doi:10.2307/257069
- Biggadike, R. (1979). The risky business of diversification. *Harvard Business Review*, 57(3), 103-111. Retrieved from <http://hbr.org/1979/05/the-risky-business-of-diversification/ar/1>
- Blau, P. M. (1964). *Exchange and power in social life*. New York, NY: Wiley.

- Block, J., & Koellinger, P. (2009). I can't get no satisfaction: Necessity entrepreneurship and procedural utility. *Kyklos*, 62(2), 191-209. doi:10.1111/j.1467-6435.2009.00431.x
- Bourdieu, P. (1985). The forms of capital In J. G. Richardson (Ed.), *Handbook of theory and research for the sociology of education* (pp. 241-258). Greenwood, NY: Greenwood Press.
- Braunsberger, K., Wybenga, H., & Gates, R. (2007). A comparison of reliability between telephone and web-based surveys. *Journal of Business Research*, 60(7), 758-764. doi:10.1016/j.jbusres.2007.02.015
- Burt, R. S. (1992). *Structural holes: The social structure of competition*. Cambridge, MA: Harvard University Press.
- Carley, K. (1991). A theory of group stability. *American Sociological Review*, 56(3), 331-354. Retrieved from <http://www.jstor.org/stable/2096108>
- Carroll, G., & Hannan, M. T. (2000). *The demography of corporations and industries*. Princeton, NJ: Princeton University Press.
- Caruso, D. R., Mayer, J. D., & Salovey, P. (2002). Relation of an ability measure of emotional intelligence to personality. *Journal of Personality Assessment*, 79(2), 306-320. doi:10.1207/S15327752JPA7902\_12
- Clouse, R., & Miller, R. (1996). Entrepreneurship: Views from educators and business executives. *Psychology: A Journal of Human Behavior*, 33(3), 43-49.
- Cohen, J. (1988). *Statistical power analysis for the behavioral sciences* (2<sup>nd</sup> ed.). Englewood Cliffs, NJ: Lawrence Erlbaum.
- Coleman, J. S. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, 94, S95-S120. doi:10.1086/228943
- Cross, B., & Travaglione, A. (2003). The untold story: Is the entrepreneur of the 21st century defined by emotional intelligence?. *The International Journal of Organizational Analysis*, 11(3), 221-228. doi:10.1108/eb028973
- Dasgupta, P. (2005). Economics of social capital. *Economic Record*, 81, S2-S21. doi:10.1111/j.1475-4932.2005.00245.x
- Davidsson, P., & Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of Business Venturing*, 18, 301-331. doi:10.1016/S0883-9026(02)00097-6

- Davis, A. E., Renzulli, L. A., & Aldrich, H. E. (2006). Mixing or matching? The influence of voluntary associations on the occupational diversity and density of small business owners' networks. *Work and Occupations*, 33(1), 42-72. doi:10.1177/0730888405281914
- de Graaf, N., & Flap, H. (1988). "With a little help from my friends": Social resources as an explanation of occupational status and income in West Germany, The Netherlands, and the United States. *Social Forces*, 67(2), 452-472. doi:10.1093/sf/67.2.452
- Diener, E., & Seligman, M. E. (2002). Very happy people. *Psychological Science*, 13(1), 81-84. doi:10.1111/1467-9280.00415
- Downs, C., & Lyons, P. (1991). Natural observations of the links between attractiveness and initial legal judgments. *Personality and Social Psychology Bulletin*, 17(5), 541-547. doi:10.1177/0146167291175009
- Drucker, P. F. (1985). *Innovation and entrepreneurship: Practice and principles*. New York, NY: Harper & Row.
- Ernst, D. (2008). Can Chinese IT firms develop innovative capabilities within global knowledge networks? In M. Gong Hancock, H. S. Rowen, & W. F. Miller (Eds.), *Greater China's quest for innovation* (pp. 107-217). Washington, DC: Brookings Institution.
- Ferris, G. R., Kolodinsky, R. W., Hochwarter, W. A. & Frink, D. D. (2001, March). *Conceptualization, measurement, and validation of the political skill construct*. Paper presented at the annual meeting of the Academy of Management, Washington, D.C.
- Ferris, G. R., Perrewe, P. L., & Douglas, D. (2002). Social effectiveness in organizations: Construct validity and research directions. *Journal of Leadership & Organizational Studies*, 9(1), 49-63. doi:10.1177/107179190200900104
- Ferris, G. R., Treadway, D. C., Kolodinsky, R. W., Hochwarter, W. A., Kacmar, C. J., Douglas, C., & Frink, D. D. (2005). Development and validation of the political skill inventory. *Journal of Management*, 31, 126-152. doi:10.1177/0149206304271386
- Fischer, C S. (1977). Network analysis and urban studies. In C. S. Fischer et al. (Eds.), *Networks and places* (pp. 19-37). New York, NY: Free Press.
- Florin, J., Lubatkin, M., & Schulze, W. (2003). A social capital model of high-growth ventures. *Academy of Management Journal*, 46, 374-384. doi:10.2307/30040630
- Formaini, R. L. (2001). *The engine of capitalist process: Entrepreneurs in economic theory*. Dallas, TX: Federal Reserve Bank of Dallas.

- Frazier, B. J. (2000). *The influence of network characteristics on information access, marketing competence and perceptions of performance in small rural businesses* (Doctoral dissertation). Available from Proquest Dissertations & Theses. (Publication No. AAT 9971915)
- Gatti, U., & Tremblay, R. (2005). Social capital and physical violence. In R. Tremblay & J. Archer (Eds), *Developmental origins of aggression* (pp. 398-424). New York, NY: Guilford.
- Goleman, D. (1995). *Emotional intelligence*. New York, NY: Bantam.
- Goleman, D. (2006). *Social intelligence: The new science of human relationships*. New York, NY: Bantam Dell.
- Gozi, R. Jr. (2003). Social capital: Metaphor or oxymoron? *ETC: A Review of General Semantics*, 60(4), 434-435. Retrieved from <http://www.generalsemantics.org/store/etc-a-review-of-general-semantics/382-etc-a-review-of-general-semantics-60-4-winter-2003-2004.html>
- Granovetter, M. (1973). The strength of weak ties, *American Journal of Sociology*, 78(6), 1360-1380. doi:10.1086/225469
- Granovetter, M. (1985). Economic action and social structure: A theory of embeddedness. *American Journal of Sociology*, 91(3), 481-510. doi:10.1086/228311
- Habiby, A. (2009, July). *Here comes the economic heroes*. Retrieved from <http://www.allworldlive.com>
- Hansen, M. (1999). The search-transfer problem: The role of weak ties in sharing knowledge across organization subunits. *Administrative Science Quarterly*, 44, 82-111. doi:10.2307/2667032
- Harris, K. J., Kacmar, K. M., Zivnuska, S., & Shaw, J. D. (2007). The impact of political skill on impression management effectiveness. *Journal of Applied Psychology*, 92(1), 278-285. doi:10.1037/0021-9010.92.1.278
- Hébert, R., & Link, A. (2009). *A history of entrepreneurship*. Hoboken, NJ: Taylor & Francis.
- Hedlund, J., & Sternberg, R. J. (2000). Practical intelligence: Implications for human resources research. In G. R. Ferris (Ed.), *Research in personnel and human resources management* (vol. 19, pp. 1-52). Stamford, CT: JAI.
- Heggestad, E. D. (2008). A really big picture of social intelligence. *Journal of Personality Assessment*, 90(1), 102-104. doi:10.1080/00223890701468667



- Hochwarter, W.A., Witt, L.A., Treadway, D.C., & Ferris, G.R. (2006). The interaction of social skill and organizational support on job performance. *Journal of Applied Psychology, 91*, 482-489. doi:10.1037/0021-9010.91.2.482
- Hooijberg, R., & Schneider, M. (2001). Behavioral complexity and social intelligence: How executive leaders use stakeholders to form a systems perspective. In S. J. Zaccaro, R. J. Klimoski, S. J. Zaccaro, R. J. Klimoski (Eds.), *The nature of organizational leadership: Understanding the performance imperatives confronting today's leaders* (pp. 104-131). San Francisco, CA: Jossey-Bass.
- Hytti, U. (2005). New meanings for entrepreneurs: from risk-taking heroes to safe-seeking professionals. *Journal of Organizational Change Management, 18*(6), 594-611. doi:10.1108/09534810510628521
- Ibarra, H. (1993). Network centrality, power, and innovation involvement: Determinants of technical and administrative roles. *Academy of Management Journal, 36*(3), 471-501. doi:10.2307/256589
- Jackall, R. (1988). *Moral mazes: The world of corporate managers*. New York, NY: Oxford University Press.
- Jacoby, J., & Mattel, M. S. (1971). Three-point Likert scales are good enough. *Journal of Marketing Research, 8*(4), 495-500. doi:10.2307/3150242
- Kacmar, K. M., Delery, J. E., & Ferris, G. R. (1992). Differential effectiveness of applicant impression management tactics on employment interview decisions. *Journal of Applied Social Psychology, 22*, 1250-1272. doi:10.1111/j.1559-1816.1992.tb00949.x
- Kanazawa, S., & Savage, J. (2009a). An evolutionary psychological perspective on social capital. *Journal of Economic Psychology, 30*(6), 873-883. doi:10.1016/j.joep.2009.08.002.
- Kanazawa, S., & Savage, J. (2009b). Why nobody seems to know what exactly social capital is. *Journal of Social, Evolutionary, and Cultural Psychology, 3*(2), 118-132. Retrieved from <http://shell.newpaltz.edu/jsec/articles/volume3/issue2/KanazawaV3I2.pdf>
- Karp, T. (2006). The inner entrepreneur: A constructivistic view of entrepreneurial reality construction. *Journal of Change Management, 6*(3), 291-304. doi:10.1080/14697010600876864
- Kim, P. H. (2006). *Organizing activities and founding processes of new ventures* (Doctoral dissertation). Available from Proquest Dissertations & Theses. (Publication No. AAT 3219131)

- Korunka, C., Kessler, A., Frank, H., & Lueger, M. (2010). Personal characteristics, resources, and environment as predictors of business survival. *Journal Of Occupational & Organizational Psychology*, 83(4), 1025-1051. doi:10.1348/096317909X485135
- Kosmitzki, C., & John, O. P. (1993). The implicit use of explicit conceptions of social intelligence. *Personality and Individual Differences*, 15(1), 11-23. doi:10.1016/0191-8869(93)90037-4
- Laird, D. A. (1936). *The psychology of selecting employees*. New York, NY: McGraw-Hill.
- Landy, F. J. (2005). Some historical and scientific issues related to research on emotional intelligence. *Journal of Organizational Behavior*, 26(4), 411-424. doi:10.1002/job.317
- Larson, A. (1992). Network dyads in entrepreneurial settings: A study of the governance of exchange relationships. *Administrative Science Quarterly*, 37(1), 76-104. doi:10.2307/2393534
- Lechner, C., Dowling, M., & Whelpe, I. (2006). Firm networks and firm development: The role of the relational mix. *Journal of Business Venturing*, 21(4), 514-533. doi:10.1016/j.jbusvent.2005.02.004
- Lewicki, R., Saunders, D., & Barry, B. (2005). *Negotiation* (5<sup>th</sup> ed.). New York, NY: McGraw-Hill.
- Lin, N. (2001). *Social capital: A theory of social structure and action*. Cambridge, UK: Cambridge University Press.
- Loury, G. (1977). A dynamic theory of racial income differences. In P. A. Wallace & A. LeMond (Eds.), *Women, minorities and employment* (pp. 153-186). Lexington, MA: Lexington.
- Lowrey, Y. (2003, January). *The entrepreneur and entrepreneurship: A neoclassical approach*. Paper presented at the ASSA Annual Meeting, Washington, DC.
- Maak, T. (2007). Responsible leadership, stakeholder engagement, and the emergence of social capital. *Journal of Business Ethics*, 74(4), 329-343. doi:10.1007/s10551-007-9510-5
- Marlowe, H. A. (1986). Social intelligence: Evidence for multidimensionality and construct independence. *Journal of Educational Psychology*, 78(1), 52-58. doi:10.1037/0022-0663.78.1.52
- Marsden, P. V. (1993). The reliability of network density and composition measures. *Social Networks*, 15(4), 399-421. doi:10.1016/0378-8733(93)90014-C

- Marx, K. (1845). The German ideology. In M. Eastman (Ed.). *Capital and other writings of Karl Marx* (pp. 10-11). New York, NY: Random House.
- Mayer, J. D., Salovey, P., & Caruso, D. (2000). Models of emotional intelligence. In R. Sternberg (Ed.), *Handbook of intelligence* (pp. 396-420). Cambridge, UK: Cambridge University Press.
- McElroy, M., Jorna, R., & van Engelen, J. (2006). Rethinking social capital theory: A knowledge management perspective. *Journal of Knowledge Management*, 10(5), 124-136. doi:10.1108/13673270610691233.
- McMillan, J. H., & Schumacher, S. (2010). *Research in education: Evidence based inquiry*. (7<sup>th</sup> ed.). Upper Saddle River, NJ: Pearson Education.
- McPherson, M. (1983). An ecology of affiliation. *American Sociological Review*, 48(4), 519-532. Retrieved from <http://www.jstor.org/stable/2117719>
- Metcalf, J. S. (2004). The entrepreneur and the style of modern economics. *Journal of Evolutionary Economics*, 14, 157-175. doi: 10.1007/s00191-004-0210-3.
- Mintzberg, H. (1983). *Power in and around organizations*. Englewood Cliffs, NJ: Prentice-Hall.
- Mitton, D. G. (1989). The complete entrepreneur. *Entrepreneurship: Theory & Practice*, 13(3), 9-19.
- Molm, L. D., Takahashi, N., & Peterson, G. (2003). In the eye of the beholder: Procedural justice in social exchange. *American Sociological Review*, 68(1), 128-152. doi:10.2307/3088905
- Morris, M. (2002). Revisiting “who” is the entrepreneur. *Journal of Developmental Entrepreneurship*, 7(1), 5-7.
- Moss, F. A., Hunt, T. T., Omwake K. T., & Ronning, M.M. (1929). *Social intelligence test*. Washington, DC: George Washington University.
- Nayyar, P. R. (1992). On the measurement of corporate diversification strategy: evidence from large U.S. Service firms. *Strategic Management Journal*, 13(3), 219-235. doi:10.1002/smj.4250130305
- O'Shea, E. (1999). Education, well-being and social capital. *New Economy*, 6(4), 234-237. doi:10.1111/1468-0041.00109
- Pepperdine University. (2009). *Protection of human participants in research: Policies and procedures manual*. Retrieved from <http://community.pepperdine.edu/irb/policies/>

- Podolny, J. M. (2001). Networks as the pipes and prisms of the market. *The American Journal of Sociology*, 107, 33-60. doi:10.1086/323038
- Portes, A. (1998). Social capital: Its origins and applications in modern sociology. *Annual Review of Sociology*, 24, 1-24. doi:10.1146/annurev.soc.24.1.1
- Portes, A., & Sensenbrenner, J. (1993). Embeddedness and immigration: notes on the social determinants of economic action. *American Journal of Sociology*, 98, 1320-1350. doi:10.1086/230191
- Purcell, T. V. (1968). Who knows the corporation president? *California Management Review*, 11(2), 6-8. doi:10.2307/41164153
- Putnam, R. D. (1995). Bowling alone: America's declining social capital. *Journal of Democracy*, 6(1), 65-78.
- Putnam, R. D. (2000). *Bowling alone: The collapse and revival of American community*. New York, NY: Simon and Schuster.
- Rauch, A., Wiklund, J., Lumpkin, G. T., & Frese, M. (2009). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship: Theory & Practice*, 33(3), 761-787. doi:10.1111/j.1540-6520.2009.00308.x
- Reagans, R., & Zuckerman, E. W. (2001). Networks, diversity and productivity: The social capital of corporate R&D teams. *Organization Science*, 12(4), 502-517. doi:10.1287/orsc.12.4.502.10637
- Reynolds, P. D., & White, S. B. (1997). *The entrepreneurial process: Economic growth, men, women and minorities*. Westport, CT: Quorum.
- Riggio, R. E. (1986). Assessment of basic social skills. *Journal of Personality and Social Psychology*, 51(3), 649-660. doi:10.1037/0022-3514.51.3.649
- Riggio, R. E., & Throckmorton, B. (1988). The relative effects of verbal and nonverbal behavior, appearance, and social skills on evaluations made in hiring interviews. *Journal of Applied Social Psychology*, 18(4), 331-348. doi:10.1111/j.1559-1816.1988.tb00020.x
- Robbins, T. L., & DeNisi, A. S. (1994). A closer look at interpersonal affect as a distinct influence on cognitive processing in performance evaluations. *Journal of Applied Psychology*, 79(3), 341-353. doi:10.1037/0021-9010.79.3.341
- Robison, L., & Ritchie, B. (2010). *Relationship economics: The social capital paradigm and its application to business, politics and other transactions*. Farnham, United Kingdom: Ashgate.

- Robison, L., & Schmid, A. A. (1991). Interpersonal relationships and preferences. In R. Frantz & H. Singh (Eds.), *Handbook of behavioral economics* (vol. 2, pp. 347-358). Greenwich, CT: JAI.
- Robison, L., Schmid, A., & Siles, M. (2002). Is social capital really capital? *Review of Social Economy*, 60(1), 1-21. doi:10.1080/00346760110127074
- Salovey, P., & Mayer, J. D. (1989). Emotional intelligence. *Imagination, Cognition and Personality*, 9(3), 185-211. doi:10.2190/DUGG-P24E-52WK-6CDG
- Schneider, R. J., Ackerman, P. L., & Kanfer, R. (1996). To "Act wisely in human relations:" Exploring the dimensions of social competence. *Personality and Individual Differences*, 21, 469-481. doi:10.1016/0191-8869(96)00084-0
- Schneider, R. J., Roberts, R. D., & Heggestad, E. D. (2002, April). *Exploring the structure and construct validity of a self-report social competence inventory*. Paper presented at the 17th Annual Conference of the Society for Industrial and Organizational Psychology, Toronto, Ontario, Canada.
- Schultz, T. W. (1961). Investment in human capital. *American Economic Review*, 51(1), 1-17. Retrieved from <https://webspace.utexas.edu/hcleaver/www/330T/350kPEESchultzInvestmentHumanCapital.pdf>
- Schumpeter, J. (1950). *Capitalism, socialism and democracy*. New York, NY: Harper Collins.
- Seibert, S. E., Kraimer, M. L., & Liden, R. C. (2001). A social capital theory of career success. *Academy of Management Journal*, 44(2), 219-237. doi:10.2307/3069452
- Shane, S., & Cable, D. (2002). Network ties, reputation, and the financing of new ventures. *Management Science*, 48(3), 364-381. doi:10.1287/mnsc.48.3.364.7731
- Sherer, M., Maddux, J., Mercandante, B., Prentice-Dunn, S., Jacobs, B., & Rogers, R. (1982) The self-efficacy scale: Construction and validation. *Psychological Reports*, 51, 663-671. doi:10.2466/pr0.1982.51.2.663
- Smith, A. (1776). *The wealth of nations*. E. Cannan (Ed.). New York, NY: Random House.
- Snyder, M. (1974). Self-monitoring of expressive behavior. *Journal of Personality and Social Psychology*, 30(4), 526-537. doi:10.1037/h0037039
- Snyder, M. (1987). *Public appearances, private realities: The psychology of self-monitoring*. New York, NY: W. H. Freeman.
- Social Capital Interest Group. (2000). Short papers from the April, 1998 Social Capital Conference at Michigan State University. *Journal of Socio-Economics*, 29(6), 579.

- Stein, S., Papadogiannis, P. K., Yip, J. A., & Sitarenios, G. (2009). The emotional intelligence of leaders: A profile of top executives. *Leadership and Organization Development Journal*, 30(1), 87-101. doi:10.1108/01437730910927115
- Sternberg, R. J. (Ed.). (1985). *Beyond IQ: A triarchic theory of human intelligence*. New York, NY: Cambridge University Press.
- Sternberg, R. J. (1997). *Successful intelligence*. New York, NY: Plume.
- Sternberg, R. J., Forsythe, G. B., Hedlund, J., Horvath, J. A., Wagner, R. K., Williams, W. M., . . . Grigorenko, E. L. (2000). *Practical intelligence in everyday life*. New York, NY: Cambridge University Press.
- Sternberg, R. J., Wagner, R. K., Williams, W. M., & Horvath, J. A. (1995). Testing common sense. *American Psychologist*, 50, 912-927. doi:10.1037/0003-066X.50.11.912
- Stinchcombe, A. (1965). Organizations and social structure. In J. G. March (Ed.), *Handbook of Organizations* (pp. 142-193). Chicago, IL: Rand McNally.
- Storberg, J. (2002). The evolution of capital theory: A critique of a theory of social capital and implications for HRD. *Human Resource Development Review*, 1(4), 468-499. doi:10.1177/1534484302238437
- Tan, J., & Litschert, R. J. (1994). Environment-strategy relationship and its performance implications: An empirical study of the Chinese electronics industry. *Strategic Management Journal*, 15(1), 1-20. doi:10.1002/smj.4250150102
- Thorndike, E. L. (1920). Intelligence and its uses. *Harper's Magazine*, 140, 227-235.
- Thorndike, R. L., & Stein, S. S. (1937). An evaluation of the attempts to measure social intelligence. *Psychological Bulletin*, 34(5), 275-285. doi:10.1037/h0053850
- Tocher, N. (2007). *New venture success: The role of principal's social capital and social effectiveness* (Doctoral dissertation). Available from Proquest Dissertations & Theses. (Publication No. AAT 3273396)
- U.S. Small Business Administration. (n.d.). *Frequently asked questions: Advocacy small business statistics and research*. Retrieved from <http://web.sba.gov/faqs/faqIndexAll.cfm?areaid=24>
- Uzzi, B. (1996). The sources and consequences of embeddedness for the economic performance of organizations: The network effect. *American Sociological Review*, 61(4), 674-698. doi:10.2307/2096399
- Wagner, R. K. (1987). Tacit knowledge in everyday intelligent behavior. *Journal of Personality and Social Psychology*, 52, 1236-1247. doi:10.1037//0022-3514.52.6.1236

- Walt, N., Atwood, K., & Mann, A. (2008). Does survey medium affect responses? An exploration of electronic and paper surveying in British Columbia schools. *Journal of Technology, Learning, and Assessment*, 6(7). Retrieved from <http://www.eric.ed.gov/PDFS/EJ838617.pdf>
- Wasserman, S., & Faust, K. (1994). *Social network analysis: Methods and applications*. New York, NY: Cambridge University Press.
- Wayne, S. J., & Liden, R. C. (1995). Effects of impression management on performance ratings: A longitudinal study. *Academy of Management Journal*, 38, 232-260. doi:10.2307/256734
- Young Presidents' Organization. (n.d.). *Organizational content*. Retrieved from <https://www.ypowpo.org/Home/Community/Organizational%20Content/YPO-WPO.aspx>
- Zaccaro, S. J., & Banks, D. J. (2001). Leadership, vision, and organizational effectiveness. In S. J. Zaccaro & R. J. Klimoski (Eds.), *The nature of organizational leadership* (pp. 181-218). San Francisco, CA: Jossey Bass.
- Zaccaro, S. J., Gilbert, J. A., Thor, K. K., & Mumford, M. D. (1991). Leadership and social intelligence: Linking social perspectives and behavioral flexibility to leader effectiveness. *The Leadership Quarterly*, 2(4), 317-342. doi:10.1016/1048-9843(91)90018-W

## APPENDIX A

## YPO Membership Qualifications

**Young Presidents' Organization Policies & Procedures****Article III****Members, Membership & Dues****1. MEMBERSHIP REQUIREMENTS**

- a. **Individual.** As stated in the Bylaws, there are two classes of Members – “YPO Members” and “WPO Members” (sometimes collectively referred to “Members” herein). Once a YPO Member graduates, the Member is eligible to become a WPO Member and no longer needs to meet the Quantitative Requirements to remain a WPO Member.
- i. All YPO Members in good standing shall have all rights of membership including the right to one vote on each matter and be deemed part of a quorum at any meeting of the corporation. WPO Members are provided with different Offering options and corresponding dues structure as determined by the YPOI Board from time to time. YPOI Members represented in person or by proxy shall constitute a quorum at any meeting of the Organization to elect the Regionally Elected Directors and select the auditors. For all other matters requiring the vote of the Membership, YPO Members and WPO Members shall have the same voting rights.
  - ii. No applicant for membership shall be disqualified by reason of their race, color, national origin, religion, gender, sexual orientation, age (except as further defined herein), qualified disabilities or other demographic factors.
  - iii. No organization as such shall be permitted to join YPO as a group. Membership shall always be as an individual.
- b. **Quantitative.**
- i. Quantitative requirements for membership are listed under Company-Criteria for Membership below.
  - ii. As provided in the Bylaws, no Chapter may decrease the requirements for membership as set forth in the Bylaws or this Policy & Procedures Manual. The International Board through the Regional Chairs Council is authorized to make exceptions to the minimum quantitative membership requirements on a case-by-case basis. The RCC shall establish practices to do so.
- c. **Qualitative.** Meeting the specific quantitative requirements does not automatically guarantee admittance into YPO. No individual, regardless of age, business affiliation or other qualification, has a right to become a Member of YPO. There are other important, less easily defined requirements which also need to be met. These are essentially qualitative in nature and may be largely a matter of judgment. Is the applicant well received by current Members? Does the applicant compare favorably with their image of a YPOer? Does the applicant inspire confidence among them that acceptance will reflect favorably upon the Organization as a whole? These are the kinds of questions raised on every application received. What is being evaluated, of course, is the individual -- likes and dislikes, attitudes, moral fiber -- in short, the whole



package. While the quantitative attributes of a corporation are a measurement of a firm's achievement, such criteria are not adequate in and of themselves. A prospective Member should clearly express the intent to fully participate in YPO activities.

- d. **Title.** The intent of YPO membership is to be available to the individual who is responsible for the full operation of the qualifying company or qualifying division. Titles held by this individual include President, Chairman of the Board, CEO, Managing Director, Managing Partner, Publisher, or equivalent of any of the above.
  - i. There may only be one Member of YPO from any one qualifying company or division.
  - ii. A division President, and the Chairman of the Board, Chief Executive Officer or President of the parent company, may simultaneously be Members if they meet the requirements.
  - iii. In the event a Member relinquishes the title of President to become Chairman of the Board of the Member's company, the Member may retain membership in YPO. When the Member becomes Chairman of the Board of the company, the individual who succeeds the Member as President shall not be eligible for membership in YPO so long as the Chairman retains membership in YPO.
  - iv. If a Member who has been granted a grace period regains a qualifying position in the Member's original company, or assumes a qualifying position in another qualified company before the expiration date of the grace period, then the individual continues as a Member.
- e. **Age.** Applications must be approved by YPO International before the applicant reaches the applicant's forty-fifth (45th) birthday. In cases where no Chapter existed prior to an applicant's 45th birthday, applications must be approved prior to an applicant's 49th birthday. In this scenario, the application must demonstrate that the prospective Member's qualifying company met the quantitative requirements in effect before the applicant's 45th birthday and also meets the requirements in effect on the date the prospective Member files the membership application. Once the Chapter is established, the extended age bracket for submission of a candidate's application is reduced by one year for each year the Chapter continues to exist until such time as the Chapter complies with the prior-to-45th-birthday rule above.
- f. **Graduation.** The YPO graduation age for all YPO Members shall be 50 effective June 30, 2012. Regions and Chapters are encouraged to apply this policy as soon as possible (beginning July 1, 2009, in order for a Chapter to achieve Gold Status, it will require a 50 Graduation Age). YPO Chapters may apply to the YPO International Board of Directors for an extension of the June 30, 2012 implementation date if there are exceptional circumstances. Former and current YPO members who are at least 45 years of age and who have been members of YPOI for at least three years, excluding any grace period, are eligible to transition to WPO at any point of time; YPO members eligible to transition to WPO will have the option to become secondary members of a WPO chapter provided that they maintain primary membership in a YPO chapter. Members who are YPO International Dual Members as of February

25, 2009 may remain Dual Members until June 30, 2012. All members who turn 50 after February 25, 2009 may continue to become YPO International Dual Members until June 30th 2011. Members between the ages of 50 to 55 who choose to retain dual Membership in YPO and WPO cannot hold YPO Chapter Leadership positions unless granted waivers by the YPO Regional Chairs Council. In determining waivers, the RCC should consider the following criteria: i) whether a WPO Chapter exists in the location; ii) the size of the YPO Chapter, iii) the particular needs of the YPO Chapter and the impact on the corresponding WPO Chapter, if any. If there is no local WPO Chapter to graduate into, a Member meeting the graduation criteria described above must still graduate to WPO, but may opt to pay the local YPO Chapter dues and have full access to YPO privileges until eight (8) fellow local Members become WPO Members, at which time they shall form a local WPO Chapter. YPO Chapters shall submit a transition plan to their respective Regional Board by December 31, 2009.

g. **Company. Criteria for Membership.**

- i. To qualify for membership, an applicant must, in addition to the age requirements, be qualified by title and running the business of an operating corporation meeting the complexity requirements established by the Board of Directors. (The business must be an operating business that does not primarily generate passive income.)
- ii. The term corporation as herein used shall include incorporated or limited business entities and partnerships, and other forms of business organizations deemed in the discretion of the Regional Chairs Council to be substantially equivalent to corporations. This definition may also include academic institutions, not-for-profit organizations and government entities.

h. **Complexity Requirements.**

- i. Admission between 1 July 2001 and prior to 1 July 2013. The complexity requirements established by the Board of Directors for membership for Members admitted to the Organization between 1 July 2000 and prior to 1 July 2013 (and continuing as requirements for re-certification) are as follows:
  - (a) The candidate must meet one requirement in each category; this means that the candidate must meet at least one of the "A" requirements and at least one of the "B" requirements.

A

The candidate must have at least 50 regular, full-time employees or the equivalent under the control of the candidate or Member. Persons engaged on a commission basis rather than straight salary are considered employees if they are permanently connected with the corporation and receive their principal livelihood there from. Seasonal employees are not included in YPO's employee definition.

OR

The total annual compensation of all employees excluding the candidate or Member exceeds US\$1,000,000.

B

The corporation will have dollar volume requirements as numerated below, based on the type of corporation:

- (i) Sales/Service/Manufacturing corporations must have at least US\$8,000,000 in gross annual sales or turnover;
- (ii) Financial Institutions must have average annual assets of at least US\$160,000,000;
- (iii) Agency-type businesses must have gross annual revenues of at least US\$6,000,000.

OR

- (i) The corporation will have an enterprise value of US\$10,000,000 as defined by one of the following:
  - (A) Net worth of assets (before depreciation) of US\$10,000,000;
  - (B) Independent third party investment/ valuation of US\$10,000,000;
  - (C) Public equity value + debt – cash = US\$10,000,000.

- ii. Admission On or After 1 July 2013. The complexity requirements established by the Board of Directors for membership for Members admitted to the Organization on or after 1 July 2013 (and continuing for re-certification) are as follows:

- (a) The candidate must meet one requirement in each category; this means that the candidate must meet at least one of the “A” requirements and at least one of the “B” requirements.

A

The candidate must have at least 50 regular, full-time employees or the equivalent under the control of the candidate or Member. Persons engaged on a commission basis rather than straight salary are considered employees if they are permanently connected with the corporation and receive their principal livelihood there from. Seasonal employees are not included in YPO’s employee definition.

OR

The total annual compensation of all regular, full-time employees in the corporation under the candidate’s control, excluding the candidate, exceeds US\$2,000,000, with a minimum of 15 regular, full-time employees under the candidate’s control.

B

The corporation must meet one of the dollar-volume criteria set forth below, based on the corporation's business type:

- (i) Sales/Service/Manufacturing corporations must have gross annual sales or turnover that exceeds US\$12,000,000;
- (ii) Financial Institutions must have had average assets that exceeded US\$240,000,000 at the end of its most recent fiscal year; or
- (iii) Agency-type businesses must have gross annual revenues that exceed US\$9,000,000.

OR

- (i) The corporation must have an enterprise value that exceeds US\$15,000,000, as defined by one of the following:
  - (A) Net worth of assets (before depreciation) of US\$15,000,000;
  - (B) Independent third-party investment/valuation of US\$15,000,000; or
  - (C) Public equity value + debt – cash = US\$15,000,000.
- iii. The term "Agency-type business" includes enterprises such as real estate agents and brokers, advertising agencies, travel agents, and insurance agents and brokers. The term "gross annual revenue" is defined as annual fees or commissions billed. In each case it is the revenue of the agency or brokers which is counted, not receipts on behalf of another principal.
- iv. As for developing the Age differentiations, if the revenue threshold is raised in the future, prospects at the age of 35 and under may qualify under a lower entry criteria at no less than \$8 million USD for Sales/Service/Manufacturing corporations as recommended by the Peer Review Committee and approved by the YPO International Board of Directors.
- v. For Members who joined prior to 1 July 2013, YPO members joining under geographic and age differentiation will continue to qualify as long as they meet the criteria based on which their membership was approved by the Peer Review Committee.
- vi. The International Board, with the assistance and input of the International Membership Committee and the RCC, shall review the YPOI membership criteria no less than every three years against the Consumer Price Index and other data it deems relevant at that time to assure that the criteria maintains the quality of the peer network.
- i. **Candidate Application Process.**
  - i. The YPO new member application will require the submission of government-issued identification validating the candidate's age (e.g.,

## APPENDIX B

## Letter to Expert Panel and Modified Instrument

Michael Wojciechowski

XXXXXXX

XXXXXXX

XXXXXXX

November 1, 2012

Dr. \_\_\_\_\_  
1234 Main Street  
Irvine, CA.

Dear Dr. \_\_\_\_\_,

Thank you for being willing to serve on the review panel to determine the content validity for the survey for my dissertation. The following pages reflect the instructions for the review. If you have any questions, please feel free to contact me.

Again, I am grateful for your guidance.

Sincerely,

Michael Wojciechowski

## Part A

1. Did you found or co-found the company that you currently run? If the answer is “no”, please hit the “Finished” tab at the bottom of the page.
2. Please indicate which YPO designated industry best describes your company:
  - A. Agriculture
  - B. Construction
  - C. Technology
  - D. Manufacturing
  - E. Retail
  - F. Services
  - G. Telecommunications
  - H. Transportation
  - I. Wholesale
  - J. Other \_\_\_\_\_
3. Please indicate the country that your company is headquartered in. (Choices are contained in a drop down box)
4. What is the total number of full time equivalent employees employed by your firm?
5. How many years has your company been in existence?
  - a. 0-4 years \_\_\_\_\_
  - b. 5-8 years \_\_\_\_\_
  - c. More than 8 years \_\_\_\_\_
6. What is your age? \_\_\_\_\_
7. What is your gender? Male \_\_\_\_\_ Female \_\_\_\_\_
8. What is the highest level of education you have completed? (Drop down box)
9. What country were you born in? (Drop down box)
10. How many years of experience do you have working in the same (or related) field in which your entrepreneurial start-up is? \_\_\_\_\_
11. How many companies have you founded or co-founded? \_\_\_\_\_

Part B

1. Please use the scales below to indicate the level of support that you received from each category when you created your company.

	No Support		Moderate Level of Support		High Level of Support
	1	2	3	4	5
A.	Parents				
B.	Spouse/Life Partner				
C.	Relatives				
D.	Friends				
E.	Friends of friends				
F.	Business Partners				
G.	Former Employers				
H.	Former Co-workers				
I.	College Alumnus				
J.	Acquaintances				
K.	Business Community Leaders				
L.	Mentors				
M.	Forum members				
N.	Other YPO'ers or WPO'ers				
O.	Vendors				
P.	Customers				
Q.	Professionals or business consultants				

**In the questions below “actively maintain” is defined as having contact (email, voice or in person) at least several times a month.**

2. Please indicate the number of relationships that you actively maintain with family and friends that you consider as important for your business. \_\_\_\_\_
3. Please indicate the number of relationships that you actively maintain with other people in various Civic organizations that you belong to (Rotary Club, YMCA, Place of Worship, Country Club, etc.) that you consider as important for your business. \_\_\_\_\_
4. Please indicate the number of relationships that you actively maintain with individuals that are prominent in the business community in which you participate and that you regard as important for your business. \_\_\_\_\_
5. Please indicate the number of relationships that you actively maintain with individuals that work for competing or complimentary firms that you regard as important for your business. \_\_\_\_\_

6. Please indicate the number of relationships that you actively maintain with fellow YPO/WPO'ers that you consider important for your business. \_\_\_\_\_
7. Of the relationships listed above, please estimate below what percentage of the groups interact or know each other (a rough estimate is sufficient):

Family and Friends and Other People	_____
Family and Friends and Business Community People	_____
Family and Friends and Industry Associates	_____
Family and Friends and YPO/WPO'ers	_____
Other People and Business Community People	_____
Other People and Industry Associates	_____
Other People and YPO/WPO'ers	_____
Business Community People and Industry Associates	_____
Business Community People and YPO/WPO'ers	_____
Industry Associates and YPO/WPO'ers	_____

8. Rank (from 1-8) the following groups in terms of importance in starting your business:

_____	Family
_____	Friends
_____	YPO/WPO members (including Forum)
_____	Civic Groups (Rotary Club, YMCA, Place of Worship, Country Club, etc.)
_____	College Alumnus
_____	Industry Associates, Vendors, Customers
_____	Mentors
_____	Others. Please specify _____

**Part C**

Instructions: Using the following scale, please place a number in each blank next to each item that best describes how much you agree with each statement about yourself in your work environment.

1		2		3		4		5		6
7										
Strongly Disagree	Strongly Disagree	Mostly Disagree		Slightly Disagree		Neutral		Slightly Agree		Mostly Agree

1. \_\_\_\_\_ I spend a lot of time and effort in business situations networking with others.
2. \_\_\_\_\_ I know a lot of important people and am well connected.
3. \_\_\_\_\_ I am good at using my connections and network to make things happen.
4. \_\_\_\_\_ I have developed a large network of colleagues and associates who I can call on for support when I really need to get things done.
5. \_\_\_\_\_ I spend a lot of time and effort developing connections with others.



6. \_\_\_\_\_ I am good at building relationships with influential people in business situations.
7. \_\_\_\_\_ It is important that people believe that I am sincere in what I say and do.
8. \_\_\_\_\_ When communicating with others, I try to be genuine in what I say and do.
9. \_\_\_\_\_ I try to show a genuine interest in other people.
10. \_\_\_\_\_ I always seem to instinctively know the right things to say or do to influence others.
11. \_\_\_\_\_ I have good intuition and am savvy about how to present myself to others.
12. \_\_\_\_\_ I am particularly good at sensing the motivations and hidden agendas of others.
13. \_\_\_\_\_ I pay close attention to peoples' facial expressions.
14. \_\_\_\_\_ I understand people very well.
15. \_\_\_\_\_ It is easy for me to develop good rapport with most people.
16. \_\_\_\_\_ I am able to make most people feel comfortable and at ease around me.
17. \_\_\_\_\_ I am able to communicate easily and effectively with others.
18. \_\_\_\_\_ I am good at getting people to like me.

#### Part D

Please assess your company's performance relative to similar companies in your industry in the following areas by selecting the appropriate response on the scale below.

	Low		Moderate	
High				
Performer	Performer		Performer	
1. Annual Sales/Revenue Growth Rate 5	1	2	3	4
2. Annual Growth in Number of Employees 5	1	2	3	4
3. Annual Growth in Market Share 5	1	2	3	4
4. Annual Growth in Net Profit 5	1	2	3	4
5. Overall Firm Performance/Success 5	1	2	3	4

## APPENDIX C

### Deal Communication Policy

Before posting a deal to the discussion board, you must read the network communication policy below. Click "expand list" to see it in its entirety.

*(lack of compliance may result in membership deactivation)*

Even though we urge all members of our Network to exercise discretion and confidentiality with the information posted on the message board, all posting members must realize that Forum confidentiality rules do not apply to such communication and all posting members are advised to limit the type of information disclosed on the message board and seek confidentiality agreements with members that wish to learn more about a specific opportunity.

### Communication Policy

1. Conflicts - Member must disclose potential conflict of interest in postings and replies (example: if acting in an agent capacity in referencing an investment opportunity, member must disclose; if member has a personal stake in an opportunity, member must disclose.)
2. Courtesy - Members must act with respect toward other members in site postings and other interaction; if members disagree with or are offended by a message, they should address their concerns privately, directly to the posting member or to the Network Communication Chair.
3. Abusive Messaging - Members must not abuse the Network Message Board by:
  - Members should strive to respond directly to the posting member, and not by replying through the message board.
  - Posting messages for needs other than those consistent with the Deal Network Mission:

### Acceptable message topics

1. specific deal needs (diligence, structuring, intelligence, resources)
2. specific deal opportunities

3. occasional requests for senior contacts at a company are acceptable but must indicate the reason for such contact (repeated requests will be deemed to abuse the Network privileges)

### **Unacceptable use of message board**

1. soliciting contacts for reservations at hotels or restaurants
2. repeated requests for senior contacts
3. repeated requests for obtaining financing for same project
4. soliciting for general business sales opportunities
5. other trivial requests unrelated to specific deals or business opportunities and outside the Mission of the Network
6. posting general deal criteria on the message board
7. posting other network, chapter, or general event information
8. posting of specific job needs or opportunities. The appropriate location for job postings is the YPO-WPO Marketplace at <https://marketplace.myypo.org>
9. posting of other organization's events not sponsored by the Network or having to do with the specific industry of the Network

4. In their communication and interaction, members must maintain the standards of ethics and conduct required by YPO-WPO.

5. Members may not send direct solicitation messages to individual members of the Network without their prior request for such information.

6. Protocol for termination of membership – generally after failing to address one written warning about non-compliance with Network rules and policies from Network Director, Communication Chair or Network Chair, the membership privileges may be terminated.

## APPENDIX D

## Informed Consent Narrative

\_\_\_\_\_, 2013

Dear Fellow YPO/WPO'er,

My name is Mike Wojciechowski and I am currently a member of the Santa Monica Bay Chapter of WPO. I am also a doctoral student in Organizational Leadership at Pepperdine University, Graduate School of Education and Psychology.

YPO has as its core value the belief that we can be better leaders through education and idea exchange. So, almost 30 years after I took my last test in getting my MBA, I went back to school. A reoccurring theme in my studies has been connected to my passion for entrepreneurialism: the connection between understanding one's own social capital (the network of people that form your support system) and entrepreneurial success. Specifically, YPO has contributed so much to my personal and professional development, that I feel that the members represent a tremendous resource to help their fellow members. My study will look at entrepreneurs, their use of social capital, their social effectiveness and how these two factors might affect entrepreneurial success.

I would like to invite you to take the following survey. It is completely voluntary and while you may not personally benefit, I believe that the knowledge gained from it will benefit others in helping to plan their entrepreneurial efforts.

The survey should take no more than 10 minutes to complete. It will ask questions on the following topics: 1) demographics such as age, sex, location of business and industry that you compete in, 2) the components of your social and professional networks, 3) your opinion on the importance of different groups of people within your network, 4) your beliefs about how you interact with others and 5) how your business ranks against others in your industry. While completeness is important, you have the right to refuse to answer any question contained in the survey.

The individual survey results will be kept confidential and there is nothing in the survey itself that would identify the respondent. I am required to keep the information collected for this study in a secure manner for at least three years and after the survey information is no longer required for research purposes, the information will be deleted or destroyed.

A summary of the results will be available in 4 months and may be obtained by entering your email at the end of the survey. Please feel free to contact me at [mwojo@earthlink.net](mailto:mwojo@earthlink.net) if you have any questions or comments regarding this study. If you have further questions about this study, you may contact my dissertation chairperson, Dr. Farzin Madjidi, Pepperdine University, Graduate School of Education and Psychology, 6100 Center Drive, Los Angeles, CA., 90045. If you have any questions about your rights as a study participant, you may contact Jean Kang, CIP Manager, GPS IRB and Dissertation Support, Pepperdine University, Graduate School of Education & Psychology, 6100 Center Drive, 5th Floor, Los Angeles, CA 90045

## APPENDIX E

## Human Subjects Protection Training Certificate of Completion

