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# **Growth of Women-Owned Businesses: The Effects of Intangible Resources and Social Competence**

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*Previous research suggests that women entrepreneurs face many challenges in starting and growing a business. In this study, we examine the relationship of intangible resources and the growth of women-owned businesses. We focus on four intangible resources: social-, human-, and reputational capital, as well as social competence. Using case studies of women entrepreneurs, we found that a woman entrepreneur's social-, human-, and reputational capital are related to the growth of her business. We also found that social competence moderates the social-, human-, and reputational capital – growth relationship in women entrepreneurs.*

## **INTRODUCTION**

The number of women-owned businesses is growing dramatically in the United States. Between 1992 and 2006, the number of women-owned businesses has increased from 5.4 million to 10.4 million, and they represent an increasing share of the small businesses that contributes to U.S. economic growth (Center for Women's Business Research, 2007). According to the Small Business Administration (2005), women-owned businesses generated US\$3.6 trillion in sales and accounted for 55% of all new U.S. businesses in 2004.

Although women entrepreneurs are becoming major contributors and players in the U.S. economy (Center for Women's Business Research, 2007), they face many challenges including accessing capital and markets, maintaining cash flow, obtaining training and technical assistance, managing business growth and expansion, establishing client budget constraints, and overcoming negative perceptions of women entrepreneurs (e.g., Hadary, 2010; Hisrich, 1989; Hisrich and Brush, 1984, 1986; Hisrich and O'Brien, 1981; National Women's Business Council, 2005; NAWBO, 2004; Zimmerman Treichel and Scott, 2006). Many of these challenges can be attributed to a lack of resources that startups and young firms face (Stinchombe, 1965; Zimmerman and Zeitz, 2002).

In the study of women entrepreneurs, a considerable amount of research has examined financial resources or the lack thereof (Buttner and Rosen, 1988; Gatewood et al., 2003; Greene et al., 2001; Hadary, 2010; Hisrich and Brush, 1984; Hisrich and O'Brien, 1981; Neider, 1987; Olm et al., 1985).

Although tangible resources (such as financial resources) are critical for start-ups, previous studies have shown that relative to tangible resources, intangible resources play a more important role in a company's competitive advantage (e.g., Amit and Schoemaker, 1993; Dierickx and Cool, 1989; Hitt et al., 2001). There is an increasing consensus among strategy scholars that intangible resources are crucial drivers of firms' growth and competitive advantage (e.g., Amit and Schoemaker, 1993; Dierickx and Cool, 1989; Hitt, Bierman, Shimizu, and Kochhar, 2001), yet we have a limited understanding of the effects of intangible resources on the growth of women-owned businesses. In this study, we attempt to narrow this knowledge gap by examining the impact of intangible resources on the growth of women-owned businesses.

Intangible resources are generally considered as soft resources such as knowledge and information (Hall, 1992, 1993). Following previous studies (Fernández, Montes, and Vázquez, 2000; Hall, 1992, 1993), we define intangible resources as assets that woman-owned businesses possess which include social capital (network relationships), relational capital (the reputation of products and companies) and human capital (generic knowledge or subjective resources of know-how). We investigate how these three forms of intangible resources contribute to the growth of their businesses.

Further, because entrepreneurs must be able to deploy their intangible resources efficiently and effectively to create competitive advantage and business success (e.g., Mahoney and Pandain, 1992; Oliver, 1997), we also addressed the role of women entrepreneurs' social competence in enhancing the utility of the intangible resources and in influencing the growth of their businesses. According to the social competence perspective, entrepreneurs' competencies play an important role in their success (e.g., Chandler and Jansen, 1992; Smith et al., 2001). Social competence, i.e., an individual's ability to develop and exploit resources through interpersonal skills, has been linked to the success of entrepreneurs (Baron and Markman, 2003). While social competence is important to all entrepreneurs, it may be especially important to women entrepreneurs because of the importance of interpersonal skills and their relationship to the success of women entrepreneurs (Aldrich, 1989; Brush, 1992; Gundry and Ben-Yoseph, 1998).

Due to the paucity of research on these issues, we adopted a case study method involving in-depth personal interviews with woman entrepreneurs in the mid-Atlantic area of the United States. Our study enriches current entrepreneurship literature by adopting an integrative approach in examining how the women entrepreneurs' intangible resources and their social competence influence the growth of their firms. We invoke both the resource-based view of the firm (Barney, 1991; Eisenhardt and Martin 2000) and the social competence perspective (Baron and Markman, 2003) to advance current understanding of various factors that may lead to the growth of women-owned businesses.

We organize the study as follows. We begin with a review of literature and define key terms. After detailing our research design and data collection, we use cases to illustrate our major findings and provide interpretations. This study concludes with discussion and implications.

## **LITERATURE REVIEW**

### **Understanding Women Entrepreneurs**

Much of the research on women entrepreneurs has addressed the increasing number and visibility of women entrepreneurs (e.g., Gundry et al., 2002); differences in groups of women business owners such as racial or national groups (e.g., Maysami and Goby, 1999); psychological or sociological variables relating the characteristics of women business owners to characteristics of their business (e.g., Brush, 1992; Hisrich and Brush, 1983; Sexton and Bowman-Upton, 1990), and the relationship of personal attributes and the growth of women-owned businesses (e.g., DeTienne and Chandler, 2007; Manolova et al., 2007). The challenges faced by women entrepreneurs in launching and growing their businesses is another frequently studied aspect of research addressing women entrepreneurs (e.g., National Women's Business Council, 2005; NAWBO, 2004; Zimmerman Treichel and Scott, 2006). Another frequently studied aspect is the comparison of women entrepreneurs and men entrepreneurs (e.g., Brush, 1992; Gundry et al., 2002).

While the characteristics of men and women entrepreneurs are similar, researchers observe that

women entrepreneurs have to overcome negative social beliefs about women (e.g., Hadary, 2010; Hisrich and O'Brien, 1981) which men do not have to address. For instance, despite a solid record of sales and profits, women entrepreneurs are often perceived as lacking ability to grow their businesses (Hadary, 2010), are categorized as “risky” borrowers by loan officers, and are viewed as less credit worthy than their men counterparts (Brush, 1997). These negative perceptions make it difficult for women entrepreneurs to secure tangible resources (e.g., financial resources) necessary to grow their business (Alsos et al., 2006; Buttner and Rosen, 1988; Godwin et al., 2006). Other research suggests that women entrepreneurs’ intangible resources, such as their access to informal and formal networks, enhance business growth (e.g., Kickul, Gundry, and Sampson, 2007).

### **Intangible Resources and Firm Growth: A Resource-Based View Approach**

According to the Resource-based View (RBV), the firm can be understood as a bundle of resources and capabilities and possession of such a resource bundle determines the firm’s ability to survive (e.g., Amit and Schoemaker, 1993; Barney, 1991; Mahoney and Pandian, 1992). Recent research in entrepreneurship has used the RBV in explaining entrepreneurial processes (Dollinger, 1999) and new venture strategic behavior (Brush, Green, and Hart, 2001; Foss, Klein, Kor, and Mahoney, 2008; Lichtenstein and Brush, 2011). In general, a firm may possess different types of resources, defined as “an asset or input to production (tangible or intangible) that an organization owns, controls, or has access to on a semi-permanent basis” (Helfat and Peteraf, 2003:999). While both tangible and intangible resources are important to a firm, intangible resources are considered crucial drivers of a firm’s competitive advantage and superior performance (e.g., Amit and Schoemaker, 1993; Dierickx and Cool, 1989; Hitt, et al., 2001). And so in this study we focus upon intangible resources.

There are a number of definitions of intangible resources (e.g., Conner and Prahalad, 1996; Fernández et al., 2000; Kogut and Zander, 1992). One generally accepted definition of intangible resources is Hall’s (1992) definition which includes technological capital (intellectual property rights, contracts, trade secrets, and public knowledge such as scientific works); human capital (generic knowledge or subjective resources of know-how); organizational capital (organizational culture); and relational capital (the reputations of products and companies, and network relationships) (Fernández, Montes, and Vázquez, 2000; Hall, 1992, 1993). In this study, we focus on relational capital and human capital, and further define relational capital as social capital (network relationships) and reputational capital (the reputations of products and companies). We examine social capital because it provides entrepreneurs with credibility, access to valuable information and resources, as well as enhanced opportunity recognition capability (Baron and Markman, 2000; Cable and Shane, 1997; Carter et al., 2003; Manolova, et al., 2007). We examine reputational capital because it can maximize socioeconomic and moral status of a business (Hayton, 2005), thereby allowing it to achieve lasting profitability (Roberts and Dowling, 2002) and new venture growth. We also examine human capital because of its relationship to new venture growth (Dyke et al., 1992; Manolova et al., 2007; Rauch et al., 2005). In the following sections, we review these three forms of intangible resources and explore how they relate to the growth of women-owned businesses.

### **Social Capital**

Social capital refers to “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (Bourdieu, 1986: 248). Social capital has been conceptualized as a set of social resources embedded in relationships (Burt, 1992; Tsai and Ghoshal, 1998), including relationships with individuals (i.e. Belliveau et al., 1996), organizations (Baker, 1990; Burt, 1992), societies (Putnam, 1995) and business units (Tsai and Ghoshal, 1998). It can be derived from the norms, networks, and relationships of the social structure in which an individual is embedded (Putnam, 1995). Networks are one important form of social capital. They “provide a conduit for the exchange of information and resources that can enhance the success and survival of women owned businesses” (Carter et al., 2003:6).

In the entrepreneurship literature, researchers have found that social capital aids entrepreneurs in opportunity perception, gaining credibility and providing access to valuable information and resources

(Baron and Markman, 2000; Cable and Shane, 1997; Carter et al., 2003; Kwon and Arenius, 2010; Manolova, et al., 2007). The social capital of entrepreneurs enhances their opportunity recognition capabilities by helping them acquire opportunity-related knowledge, forecast future trends, evaluate information and decisions, as well as react proactively to future trends (Carter et al., 2003). For instance, Kickul, Gundry, and Sampson (2007) posited that for women-owned businesses, formal and informal social capital enhances a business' market growth and expansion. Given the importance of social capital for entrepreneurs, when women entrepreneurs face specific challenges in growing their businesses, such as obtaining start-up funding, financial management, and the development of effective marketing and advertising (Hisrich and Brush, 1983; Pellegrino and Reece, 1982), social capital appears to be important to the growth of women-owned businesses.

### **Reputational Capital**

A second form of intangible resources is reputational capital. Whereas social capital is considered to be a set of social resources embedded in relationships (Burt, 1992; Tsai and Ghoshal, 1998), reputational capital refers to social resources and legitimacy certified by well-regarded individuals and organizations (Hoang and Antoncic, 2003; Oliver, 1997; Powell and DiMaggio, 1991). Reputational capital refers to "a form of intangible wealth that is closely related to what accountants term 'goodwill' and marketers refer to as 'brand equity'" (Fombrun, 1996: 11). Reputational capital provides many benefits including reduction of information asymmetry between a business and its stakeholders (Peng et al., 2005). In particular, when there is insufficient information among players, reputation is an asset that can generate future rents by affecting stakeholders' beliefs, attitudes, and behaviors (Hayton, 2005; Weigelt and Camerer, 1988).

In the case of entrepreneurs, a high level of positive reputational capital informs stakeholders about the values of the entrepreneurs, their socioeconomic and moral status (Petrick, et al., 1999), as well as their future prospects (Certo, 2003). A positive reputation suggests that an entrepreneur's business is in the right market and provides competitive products and services (Petrick, et al., 1999). Further, it can also reduce the transaction costs associated with an exchange (Hayton, 2005) and the need to monitor relationships (Williamson, 1975). Moreover, an entrepreneur with a positive reputation can attract employees from rival firms, facilitating the transfer of knowledge (Almeida and Kogut, 1999) and enhancing innovation capability, stimulate changes, as well as improve business performance (Droege and Hoobler, 2003).

Previous studies have shown that women entrepreneurs face many challenges in proving their credibility when acquiring resources such as funding and supplies (e.g., Hisrich and Brush, 1983). Given the negative social beliefs about women entrepreneurs (e.g., Hadary, 2010; Hisrich and O'Brien, 1981), we speculate that reputational capital may be especially important to women entrepreneurs because a positive reputation may ameliorate the effects of negative social beliefs and enhance women entrepreneurs' ability to acquire valuable resources, and so contributes to the growth of their businesses.

### **Human Capital**

A third form of intangible resources is human capital. Human capital is defined as the stock of knowledge and skills that reside within individuals (Becker, 1964). Prior studies support the positive relationship that exists between human capital and small business success (e.g., Colombo and Grilli, 2010; Rauch et al., 2005).

Human capital is important for entrepreneurial discovery (Davidsson and Honig, 2003). Entrepreneurs with more human capital have a comparative advantage in helping their business solve problems, adapt to changes, and implement new technologies (e.g., Shrader and Siegel, 2007; Siegel et al., 1997). Further, human capital plays an important role in the successful exploitation and pursuit of opportunities by entrepreneurs (e.g., Bates, 1990; Davidsson and Honig, 2003). Prior studies identified education (e.g., Bantel and Jackson, 1989; Norburn and Birley, 1998) and prior experience (e.g., Fischer and Pollock, 2004; Hambrick and Mason, 1984) as two critical components of an entrepreneur's human

capital that affect managerial know-how and capability (Becker, 1993). Below we describe these two critical components of human capital in more details.

### **Education**

Education has been argued to indicate an individual's knowledge and skills (Hambrick and Mason, 1984) and to be related to information-processing capacity (Bantel, 1993). The education level of entrepreneurs is an important factor in predicting the financial success of a new business (Hisrich and Brush, 1984). Educational level reflects an individual's cognitive ability and skills (Wiersema and Bantel, 1992). Kor et al., (2007) suggest that "the versatility and subjectivity of entrepreneurial knowledge and insight help explain the persistence of firm-level heterogeneity in entrepreneurial activities" (Kor et al., 2007: 1193). Entrepreneurs' personal knowledge and perceptions affect entrepreneurial activities, as well as, the rate and direction of the business' growth (Kor et al., 2007; Zahra et al., 2006). Further, a higher level of education earned by the entrepreneur may increase stakeholders' confidence in their capability of managing a new business (Carter, et al., 2003) and signal potential lenders, employees, and customers about the future productivity of the business (Backes-Gellner and Werner, 2007).

### **Experience**

Hambrick and Mason (1984) argue that prior experience provides top managers with knowledge and cognitive biases which then influence their strategic choices. According to Fischer and Pollock (2004), a CEO's experience can affect a company's efficiency and its ability to attract customers and capital and, thus, its survival. Prior experience and known patterns of action also influence an entrepreneur's decision making by providing clues about when and how to take actions (Shane, 2000).

Further, entrepreneurs with prior experience can gather information more efficiently through their previous successes or failures, thus leading to faster decision-making (Cooper et al., 1995; Forbes, 2005). Moreover, the prior experience of entrepreneurs can provide access to information and social support as well as access to reputation, credibility, and qualification (Delmar and Shane, 2004). Experience seems to be important in predicting the success of a new business (Hisrich and Brush, 1984; Lerner and Almor, 2002). For instance, Lerner and Almor (2002) argued that the previous experience of women entrepreneurs especially industry experience is positively related to the performance of their business. Bhagavatula, Elfring, van Tilburg, and van de Bunt (2010) found that an entrepreneur's experience seems to positively influence resource mobilization more than other human capital variables. Given the challenges faced by women entrepreneurs in launching and growing their businesses, we speculate that human capital may be especially important to women entrepreneurs because women entrepreneurs' knowledge and skills help them formulate and implement an effective entrepreneurial strategy and so contribute to the growth of their businesses.

### **Social Competence Perspective**

Although intangible resources form the basis of value-creating strategies, intangible resources alone are not sufficient to sustain a firm's competitive advantage (Eisenhardt and Martin, 2000). Firms are considered repositories of resources, and these resources must be transformed and utilized to maximize returns and earn sustainable returns (Amit and Schoemaker, 1993; Teece et al., 1997). Since firms need to effectively develop, allocate and deploy intangible resources to generate competitive advantage (e.g., Hitt et al., 2001), entrepreneurs need to deploy their intangible resources efficiently and effectively to create competitive advantages (Mahoney and Pandain, 1992; Oliver, 1997), especially in rapid and unpredictable conditions (e.g., Eisenhardt and Martin, 2000; Ethiraj et al., 2005) such as those in the early years of a business. One way to deploy resources efficiently and effectively is for entrepreneurs to develop a distinctive competence (Mahoney and Pandain, 1992), and one such competence is social competence (Baron and Markman, 2003).

Social competence refers to an individual's ability to develop and exploit resources through her interpersonal skills. Social competence includes social perception (i.e., accuracy in perceiving others), impression management (i.e., ability to induce favorable reactions in others), social adaptability (i.e.,

ability to adapt to a wide range of social situations), and expressiveness (i.e., ability to express emotions and feelings in an appropriate manner), all of which are highly desired in business interactions (Baron and Markman, 2003). Social competence is important to entrepreneurs because of the social interaction in business (Walter et al., 2006), and it plays an important role in identifying and exploiting opportunities in entrepreneurship (Baron and Markman, 2003). In addition, social competence affects the outcomes of interpersonal exchanges involved in entrepreneurship (Walter et al., 2006). As such, we suspect that when a woman entrepreneur can effectively interact with the stakeholders of her business, she can better maintain and effectively utilize relationships to enhance the growth of her business, such as gaining access to capital and markets, obtaining training and technical assistance, and networking.

Overall, previous research has shown the importance of social capital, reputational capital, human capital, and social competence to entrepreneurs and has provided a general direction for the present investigation. However, we know little about the relationships among these intangible resources, social competence and the growth of the woman-owned entrepreneurial firm. To examine these issues, we conducted a case study involving in-depth interviews with eleven women entrepreneurs in the mid-Atlantic region as described below.

## **METHODS**

### **Research Design**

Eisenhardt (1989) suggests that a case study approach is appropriate when a phenomenon is not well understood. Such an approach allows researchers to provide explanations of mechanisms or the rationale underpinning observed relationships (Eisenhardt, 1989; Yin, 1984). We conducted in-depth interviews of women entrepreneurs to gather data which we used to construct cases and theorize the relationships among the intangible resources, social competence, and the growth of women-owned businesses.

We interviewed eleven women entrepreneurs operating in the Mid-Atlantic region of the United States. This region provides an excellent research context because of the high number of women entrepreneurs in the area (WIN, 2009). The businesses owned by the women entrepreneurs in our study operated in different industries including finance, entertainment, food service, real estate, interior design, education, apparel, and biotechnology. While most of the organizations we studied were for profit entities, a few were nonprofit organizations, thus providing some heterogeneity in the cases selected. There was also variation in both the age and the size of the businesses. It is not uncommon to include a diverse set of subjects in case studies (e.g., Gilbert, 2005; Graebner and Eisenhardt, 2004). Indeed, the diverse sample of entrepreneurs was selected to assist our exploration of how women entrepreneurs acquire, develop, and utilize various resources and competence in achieving new venture growth.

### **Data Collection**

The primary source of the data was in-depth personal interviews with the women entrepreneurs. We also collected archival data from secondary sources such as company websites, brochures, published biographies, newspaper articles, and press releases to gain a better understanding of the backgrounds of the women entrepreneurs and their businesses. Collecting data from multiple sources provides data triangulation and is essential to ensure the validity of the results (Yin, 1984). All of the women entrepreneurs we interviewed earned a bachelor's degree, and many earned a master's and/or a doctorate degree. The age of the women ranged from 22 to 58 years old. Demographic information of the women entrepreneurs and basic profiles of their organizations is reported in Appendix 1.

The authors of the study conducted eleven interviews between 2007 and 2008 over 15 months. All of the interviews lasted between 30 minutes (multiple interviews) and 2 hours (single interview), with an average of 90 minutes with each interviewee. At the beginning of the interview, interviewees were assured of confidentiality. All the interviews were semi-structured. The semi-structured interview style allows interviewees to both reflect on their experiences and to use their knowledge and expertise in generating a finer grained and more focused understanding. Using the current literature on entrepreneurship, women entrepreneurs, and women-owned businesses as a starting point, we developed

open-ended interview questions, including questions related to the interviewees' demographic information and general information about their business. (Interview questions are available upon request.) We then provided interviewees with brief definitions of the key constructs, such as social capital, reputational capital, human capital, social competence and success. Following the definitions, we asked interviewees to discuss factors that led to the growth of their business, as well as factors that hampered growth. Furthermore, we asked each interviewee to discuss the usefulness to her and her business of the intangible resources we examined, i.e., social capital, reputational capital, and human capital.

In examining the effects of intangible resources and social competence on the growth of women-owned businesses, we selected a rather broad term: the success of the women-owned businesses. Because obtaining objective performance data from small and medium enterprises (SMEs) is often fraught with difficulties largely due to reluctance to provide financial data, we used a subjective measure of performance as has been done in previous business research (Brouthers, 2002; Brouthers and Nakos, 2004); specifically entrepreneurs' reported their perception of the growth of their business relative to their competitors in terms of sales growth, profit growth, funding future growth, marketing, distribution and/or cash flow. Subjective performance measures have been found to be highly correlated with objective measures of performance (Dess and Robinson 1984). Accordingly, the use of subjective measures may provide valuable insight on performance when objective financial measures are not provided.

We concluded by asking the women entrepreneurs for additional comments they wanted to add to their responses to our list of questions. Following each interview, the interviewer transcribed the entrepreneurs' responses to the questions. When clarification was needed, we contacted the entrepreneur by phone or by email to obtain the necessary information to resolve the lack of clarity.

### **Data Analyses**

In order to ensure inter-rater reliability, two of the authors of this study analyzed and coded the qualitative data based on the interview transcripts for each case. Data analysis in this study closely followed two major steps typical in inductive multi-case research (e.g., Graebner, 2004; Graebner and Eisenhardt, 2004): building individual cases and then comparing across cases to construct a conceptual framework. Individual case studies were built by synthesizing the qualitative data from different sources for the eleven women entrepreneurs (Eisenhardt, 1989). These case histories were then used for within-case and cross-case analyses.

For the within-case analysis, to ensure inter-rater reliability we first worked independently on identifying unique barriers facing women entrepreneurs and factors crucial to their success. Second, we independently coded qualitative data involving the intangible resources, social competence, and growth of women-owned businesses. In the coding process, we also closely examined the data describing how the intangible resources and social competence were developed and utilized. Third, we paid close attention to data describing the relationships among resources and social competence, and we investigated the qualitative data related to factors that might contribute to the growth of women-owned businesses. We drew tables and figures to help capture these emerging relationships. After the completion of the within-case analyses, we worked together to resolve any disagreement we had in the coding and content analysis process. We discussed the factors we identified as critical to women entrepreneurs' success, as well as relationships that seemed to emerge among the intangible resources and social competence in individual cases.

After the eleven within-case analyses were completed, we conducted cross-case analyses. Specifically, we first investigated whether similar or different themes and patterns emerged in multiple cases. We then considered differences in patterns in refining and modifying the conceptual model that could explain the mechanisms underpinning the entrepreneur's success. After the cross-case analyses were completed, we re-examined interview transcripts to ensure that the conceptual model was consistent with the data. In short, the within- and cross-case analyses yielded a set of themes and findings reported in the following section.

## **FINDINGS**

### **Barriers Facing Women Entrepreneurs**

The cross-case analyses revealed unique challenges facing women entrepreneurs. First, the women entrepreneurs agreed that the barriers to growth they faced were due to the social perceptions of their gender roles. One of the major barriers they identified when they started their business relates to the lack of social acceptance of women entrepreneurs and women-owned businesses. For example, entrepreneur #1 said that “the general perception from society is that women cannot run their own business.” Even among those who accept women entrepreneurs and women-owned businesses, there are many who do not accept them across all industries. Several interviewees noted that people have fewer negative attitudes about women entrepreneurs operating in industries in which women have traditionally worked. For example, entrepreneur #9 mentioned, “Mrs. Fields are okay but other types of ventures led by women are not!”

Another barrier identified by several interviewees (e.g., Entrepreneur #1, Entrepreneur #4 and Entrepreneur #11) is low credibility. Limited training, experience, and/or education to run a business might contribute to the low credibility of women entrepreneurs. While men entrepreneurs may face a similar problem, interviewees mentioned that the general perception of women-led businesses coupled with insufficient experience and/or education might diminish women entrepreneurs’ credibility. In addition, what is expected of women entrepreneurs seem to be higher. Women entrepreneurs reported to having to work much harder than their men counterparts to achieve the same level of credibility, and/or that they had to earn more education than that required of men to prove that their credibility and capability (e.g., Entrepreneur #2, Entrepreneur #4).

A third barrier that the women entrepreneurs we interviewed reported was difficulty in accessing networks that are dominated by men. Seven of the interviewees (e.g., Entrepreneur # 1, Entrepreneur #2, Entrepreneur #5, Entrepreneur #6, Entrepreneur #7, Entrepreneur #9, and Entrepreneur #10) referred to the “old boys club” and the big challenge this network presents to women entrepreneurs. (The old boys club originally referred to the social and business connections among former students of male-only private schools.) They mentioned that this network of men often dominates the organizations that control resources (such as funding) vital to the startup and growth of businesses. Our interviewees further indicated that because they were women, the men in the network limited their access to resources. In some industries, there seems to be a stronger network of powerful men than in others. For example, one interviewee (Entrepreneur #2) who operates a financial consulting firm explained, “gender issues could be a high barrier... entering into a finance network is difficult for women.” Similarly, another interviewee (Entrepreneur #10) described, “there is a boys’ network in my industry.” In addition, there appears to be some differences in how men and women form networks which may create barriers for women entrepreneurs or hinder them. One interviewee noted (Entrepreneur #10), “They go drinking and are uncomfortable inviting me to go with them.” Entrepreneur #1 also commented that “to network women can go out with men for a beer and watch a football game, but doing that could put their personal reputation at risk. Tricky to balance!”

Despite the barriers women entrepreneurs face, we found that women entrepreneurs can overcome the barriers by cultivating and using social-, reputational-, and human capital as well as social competence to grow their business. In the following sections, we report our findings on how the three forms of capital and social competence affect the growth of women-owned businesses.

### **Human Capital and the Growth of Women-Owned Businesses**

The women entrepreneurs we interviewed described human capital as the cornerstone of their success. All of the women interviewed earned a bachelor’s degree. Five earned a master’s degree, and two earned a doctorate degree. They also had a wealth of work experience. Many of our interviewees worked in large established companies prior to launching their own businesses. They reported that their human capital, especially experience and education, was important to their success. Their human capital helped them pursue and exploit opportunities which led to the startup and growth of their businesses. For

example, one interviewee (Entrepreneur #6) noted that her previous work experience helped her develop a novel methodology to launch new products. Another interviewee (Entrepreneur #4) indicated that her Executive MBA provided her with financial and management skills that were critical for sustaining her company's expansion and healthy financial growth. In sum, our interviews indicate that human capital is important for women entrepreneurs, hence supporting prior research on human capital and the success of new businesses (e.g., Dyke et al., 1992; Gimmon and Levie, 2009; Manolova et al., 2007; Rauch et al., 2005). As such, we expect that,

*Proposition 1: A woman entrepreneur's human capital is directly and positively related to the growth of her business.*

More interestingly, our findings suggest that human capital helped women entrepreneurs develop a positive reputational capital. For women entrepreneurs, human capital not only reflects their knowledge, skills, and information-processing capabilities, but it also provides credibility that signals to potential investors, employees, and customers about the future prospects of the women entrepreneurs and their business. Several interviewees commented on the importance of human capital:

“Unlike men entrepreneurs, women entrepreneurs have to demonstrate their education and functional experience to establish their credibility and to sustain their businesses. Human capital is the fundamental key to women's entrepreneurial success.” (Entrepreneur #1)

“In order to prove my credibility, reliability and professionalism, I have to highlight my education and business experiences to investors, suppliers and clients, including an EMBA degree, over 20 years experience in a related area, and I am also a proud winner of an Entrepreneurial Business Plan Competition. I don't think this is necessary for a man entrepreneur.” (Entrepreneur #3)

Having the specific knowledge and skills for the entrepreneur's specific type of business is vital to success. Education is an indication of an individual's knowledge, skills, and capability to generate and implement creative solutions to solve complex problems (Bantel and Jackson, 1989). For example, our interviewees revealed the following:

“Although I have had more than 20 years of industry experience in financial consulting services, the business model I launched (an education program) has not been successful simply due to the fact that I cannot prove myself to be competent without a degree in education.” (Entrepreneur #2)

“Human capital is essential to women's entrepreneurial success. It does not require intangible assets for men to start up a new business. However, it requires a woman entrepreneur to have the education and experiences to prove her credibility and professionalism to the stakeholders, such as government officials, suppliers, investors, bankers, and the larger community”. (Entrepreneur #2)

Thus, in light of the interviews, it appears that women entrepreneurs' human capital, especially their formal education and prior experience can significantly provide credibility and help obtain reputational capital. As such, we expect that,

*Proposition 2: A woman entrepreneur's human capital is directly and positively related to her reputational capital.*

Our results reveal that women entrepreneurs' human capital also contributes to the acquisition of social capital. In our study, we found that human capital helped our interviewees establish networks of

relationships that are important to their success. For example, several of our interviewees explained that participating in academic programs such as an Executive MBA program or professional training in addition to their prior business experience provided them with opportunities to cultivate new social relationships which benefited their business growth. One interviewee described the importance of her education in developing social capital as follows:

“My former entrepreneurial training bridges the gap between academics and the business community. My educational experience has helped me develop effective social networks. I have met some influential executives at the school [business plan] competition and some of them have joined my company as board members.” (Entrepreneur #3)

Human capital is especially beneficial when there is incomplete information about women entrepreneurs’ reliability and professionalism in managing a business. Human capital (e.g., education) increases confidence in an entrepreneur’s capability of managing a company (Carter et al., 2003). Further, women entrepreneurs’ human capital (e.g., prior experience) can assist them in developing relationships with shareholders (Shane and Stuart, 2002). For instance, our interviewees made the following comments:

“My experience and education helped me connect with business people. Judging from my human capital, the business people are willing to help with my business.” (Entrepreneur #2)

“It is my human capital that facilitates the acquisition of other valuable resources such as social capital and reputational capital that enhance entrepreneurial success.” (Entrepreneur #1)

As such, we expect that,

*Proposition 3: A woman entrepreneur’s human capital is directly and positively related to her social capital.*

### **Social Capital and the Growth of Women-Owned Businesses**

While the women entrepreneurs we interviewed emphasized the importance of human capital in entrepreneurship, none suggested that human capital alone made them successful. They indicated that social capital is of paramount importance. Interestingly, our interviewees indicated that social capital is important for both women and men entrepreneurs, but they highlighted some differences. They noted that women entrepreneurs often develop their networks more *slowly* and more *deliberately* than men entrepreneurs do. They also indicated that women entrepreneurs’ personal and business networks often overlap. The women we interviewed noted that women entrepreneurs often transform their personal network ties into business network ties and vice versa, while men entrepreneurs tend to separate their personal and business networks. Several women entrepreneurs explained as follows:

“My personal networks have been helpful in achieving entrepreneurial success. For instance, my personal mentor and advisory board members have supported the growth of my company. My friend and mentor was a former president of a local performing arts center, who later sat on my advisory board.” (Entrepreneur #3)

“Women entrepreneurs approach networks differently. Men are ‘friends’ with other men after going out for a beer. This is not so easy with women. For women, ‘friends’ are more substantive.” (Entrepreneur #1)

Further, men entrepreneurs develop and maintain their social relations when they engage in sports and recreational activities such as watching a football game, playing golf, or going out for a beer. Women entrepreneurs develop their networks by helping other people or asking them for assistance. For example,

one woman mentioned that “women inherently want to help each other. Women are drawn to inquire and remember what is important to others. This leads to friendships in business relations” (Entrepreneur #11). Furthermore, six interviewees (e.g., Entrepreneur #3, Entrepreneur #5, Entrepreneur #6, Entrepreneur #8, Entrepreneur #10, and Entrepreneur #11) noted that women are generally good at asking for help from people they know, and this can lead to building a network and more generally acquiring social capital.

The women entrepreneurs we interviewed built their networks over time and took great effort to build their networks including a lot of one-on-one interaction. For example, several women entrepreneurs commented as follows:

“I have strong social capital and have developed a network of more than 100 clients through one-on-one relationship building that I believe have fueled the success of my business.” (Entrepreneur #6)

“When compared to men entrepreneurs, women entrepreneurs need to be more strategic in networking, especially one-on-one relationship development.” (Entrepreneur #8)

All of the women entrepreneurs we interviewed indicated that they were satisfied with their social capital and believed that it contributed to the startup and growth of their business and their personal success. Specifically, the women entrepreneurs noted that their networks played an important role in accessing important information and advice, as well as critical knowledge regarding their day-to-day operations, business growth, and expansion. Our findings are consistent with prior research (e.g., Cable and Shane, 1997; Carter et al., 2003) on the benefits of possessing social capital for women entrepreneurs in that social capital enables them to access valuable resources and ensures their market growth and expansion. For instance, our interviewees commented on how social capital helped them identify and develop opportunities and add value to grow their business as follows:

“My professional networks have always been helpful when I encounter problems.” (Entrepreneur #3)

“I have to credit the fast growth of my business to my social capital. My personal networks and relationships are helpful in achieving entrepreneurial success. I am also actively involved in several business networking groups. I believe that social capital is especially important for a women entrepreneur given all the challenges we have.” (Entrepreneur #5)

“Social capital is very important. People do business with people they like. My social capital helped me secure licenses, manufacturing, and distribution.” (Entrepreneur #4)

“I have a huge network in different sectors including one in the sports sector that benefits my business. My network contacts helped me with my business. I am an industry insider.” (Entrepreneur #8)

As such, we propose that,

*Proposition 4: A woman entrepreneur’s social capital is directly and positively related to the growth of her business.*

Furthermore, there appears to be a relationship between social capital and reputational capital. Several interviewees suggested that networks assist in the development of reputational capital. They indicated that establishing strategic alliances with influential organizations is a good way to develop their reputational capital. For example, our interviewees noted,

“Reputational capital is key to success. It sustains the company’s growth. I have developed and maintained my reputational capital through establishing strategic alliances with big corporations.” (Entrepreneur # 1)

“Working with an established firm helps increase my reputational capital.” (Entrepreneur # 6)

In light of the relationship that seems to exist between social capital and reputational capital, we propose the following:

*Proposition 5: A woman entrepreneur’s social capital is directly and positively related to her reputational capital.*

### **Reputational Capital and the Growth of Women-Owned Businesses**

Among the women we interviewed, most considered reputational capital to be quite important in the startup and growth of their business, and that a lack of reputational capital creates a significant obstacle to growing a business. Reputational capital is an intangible resource (Fombrun, 1996) that helps reduce transaction costs and the need to monitor business relationships (Williamson, 1975). Reputational capital seems to aid women-owned businesses’ ability and flexibility to attract resources. For instance, one women entrepreneur comments:

“I am very satisfied with my reputational capital and attribute that to my business success. I have to continually build my reputational capital to reduce transaction issues involved in businesses operations and to attract more customers and investors to sustain the growth of the business.” (Entrepreneur #10)

Furthermore, we found that reputational capital needs to be developed rather quickly. Our interviewees noted that unlike men entrepreneurs, women entrepreneurs often have to establish a good reputation in a relatively short period of time to increase the potential for success. For instance, one interviewee reported the following:

“Unlike men entrepreneurs, women have to develop their reputational capital in a relatively short period of time to signal to the stakeholders their competence and professionalism.” (Entrepreneur #2)

“Unlike men entrepreneurs, women do not have the flexibility or cushion to make up lost chances. In general, women have less time to build their reputation and respect from the community.” (Entrepreneur #3)

We so found that reputational capital builds credibility. Credibility has been argued to be important in starting and growing a business (Shapero, 1982). Reputational capital is very valuable to women entrepreneurs, especially when they are challenged by lack of credibility, access to markets and networks, and business growth and expansion (Zimmerman Treichel and Scott, 2006). For instance, our interviewees noted the following:

“Reputational capital is extremely important which has more ‘teeth’ for women entrepreneurs and makes them more believable and works more effectively for their businesses”. (Entrepreneur # 6)

“My reputational capital has a strong influence upon stakeholder beliefs, attitudes and behaviors when there is incomplete information concerning the operation of the non-profit organization”. (Entrepreneur #3)

“I have a good reputation for being persistent, tenacious, and aggressive. Reputational capital is essential to my entrepreneurial success.” (Entrepreneur #10)

Our results suggest that a woman entrepreneur’s reputational capital can ameliorate the negative effects associated with traditional social perceptions of women-owned businesses, as well as positively

shape stakeholders' beliefs, perceptions and attitudes towards women entrepreneurs' legitimacy, credibility, reliability, and professionalism, thereby contributing to a woman entrepreneur's business growth. As such, we propose the following:

*Proposition 6: A woman entrepreneur's reputational capital is directly and positively related to the growth of her business.*

### **Social Competence and the Growth of Women-Owned Businesses**

In addition to the importance of human-, social-, and reputational capital, the women entrepreneurs we interviewed indicated that social competence played an important role in their success. Social competence, such as the ability to motivate people, concisely convey ideas, impress people, and adapt to internal and external changes, appears to be critical to the successful startup and growth of a women-owned businesses. For example, the women entrepreneurs commented as follows:

“Social competence is important for entrepreneurial growth.... It is essential to have the social expressiveness to make a presentation in public. It requires social skills to convince others, such as investors and clients, that the services are unique and valuable. It is important to have all social skills to convince investors about the business model.”  
(Entrepreneur #2)

“Social competence is important because it is essential for a non-profit organization to be understood by stakeholders, which requires articulateness and expressiveness.”  
(Entrepreneur #3)

Interestingly, we found that women entrepreneurs who did not achieve their desired growth also reported they lacked adequate social competence. One interviewee reflected the following on social competence:

“Although I possess strong social capital and human capital, they are not so valuable without the presence of social competence. I need to enhance my social interactive skills to grow my business” (Entrepreneur #8)

Even though the women we interviewed reported that the intangible resources of human-, social-, and reputational capital are each related to the success of women entrepreneurs and specifically the growth of their businesses, most of the women indicated that social competence plays an important role in achieving success. For example,

“People want to work with those who are known as hardworking, passionate and honest. We need to have social skills to inform people about what we can do and what our expertise is.” (Entrepreneur #4)

“Social competence is extremely important because it opens doors. People want to help me because of my social competence. Social competence helps me get important things done, such as getting a license.” (Entrepreneur #8)

“It is especially important to be able to adapt to challenging situations, such as to diffuse clients' angers and to convince clients in accepting an important offer. A woman entrepreneur's ability to convince others is essential to achieving her business success.”  
(Entrepreneur #1)

“Social competence is essential for a non-profit organization to be understood by stakeholders, which requires articulateness, expressiveness. Women entrepreneurs do not have the flexibility or cushion to make up lost chances. Women also have less time to build their reputation and respect from the community. As such, social competence becomes an important aspect to grow and sustain my business.” (Entrepreneur # 3)

Based on these findings, we propose the following:

*Proposition 7: A woman entrepreneur's social competence is directly and positively related to the growth of her business.*

The women entrepreneurs in our study seemed to indicate that women entrepreneurs need both capital and social competence. They need social competence to better utilize their social-, human-, and reputational capital. According to Baron and Markman (2003), the human capital of an entrepreneur cannot be a source of competitive advantage without the social competence and skills to explore and exploit productive opportunities, to cope with the requirements of a start-up, and to manage different stages of entrepreneurship. In particular, social competence is most useful for entrepreneurs in situations where they cannot simply rely on past social relations or on clearly defined norms and roles (Baron and Markman, 2003).

From our interviews, it appears that although social-, human, and reputational capital are important for women entrepreneurs, it is especially important for women entrepreneurs to know how to leverage such capital to communicate their credibility to new suppliers, investors, and others. The women we interviewed noted that social competence can enhance the relationship between an entrepreneur's capital and her success. For example,

“A woman entrepreneur's social expressiveness, social perception, impression management and adaptability are critical and key to my success. It is important to possess human capital and social capital, but I have to have the capability to make impressions on contractors and clients, otherwise business will not grow. If I don't have the social expressiveness to make a presentation in public or to be persuasive to my investors and clients, I don't think I can convince those investors about my business just with my impressive resume.” (Entrepreneur #2)

“Other resources such as social capital, reputational capital and human capital are not valuable without the presence of social competence.” (Entrepreneur #11)

“It requires social skills to convince others, such as investors and clients, that our services are unique and valuable. Based on my social competence, I was able to convince investors about my business model. I am satisfied with my social competence and believe that my social competence enhances my other resources.” (Entrepreneur #4)

“Although it is critical to possess social capital, reputational capital and human capital, it is especially important to know how to use these resources in a way to be able to adapt to challenging situations, such as to diffuse clients' angers and to convince clients in accepting my ideas. The ability to convince others is essential in my business.” (Entrepreneur #1)

It appears that without social competence, a woman entrepreneur may struggle to effectively use her intangible resources to startup and grow her business. The qualitative data suggest that a woman entrepreneur's social competence is essential to adapting, integrating, and exploiting her social-, human-, and reputational capital. Informed by this finding, we propose that a woman entrepreneur's social competence will interact with these three forms of capital in influencing the growth of her business. As such, we expect that,

*Proposition 8: A women entrepreneur's social competence can enhance the relationships between intangible resources such as human-, social-, and reputational capital and her business growth.*

In light of the above findings on the three forms of capital and social competence, we constructed Figure 1(See Appendix 2) to present the relationships we identified from the findings of our case

analyses, i.e., relationships among intangible resources, social competence, and the growth of the women-owned businesses. Our findings revealed that intangible resources were developed or acquired in a sequence over time. Specifically, human capital and social capital were acquired or developed first, and then formed the basis for obtaining reputational capital. Further, our findings suggest that while a woman entrepreneur's capital is related to the growth of her business, social competence gives women entrepreneurs leverage in better utilizing intangible resources in starting and growing their businesses.

## DISCUSSION

Entrepreneurship scholars have investigated aspects of how entrepreneurs identify and evaluate opportunities as well as how to obtain and exploit resources such as intangible resources. While intangible resources have been shown to strongly relate to firms' competitive advantage (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984), they have been understudied in entrepreneurship research. To narrow this gap, in this paper, we examined three types of intangible resources of women entrepreneurs: social-, human-, and reputational capital. We investigated how these three forms of intangible resources contribute to the growth of their business. Specifically, our findings support the importance of women entrepreneurs' social capital in the form of networks, human capital in the form of education and functional experience, and reputational capital in the form of credibility. Our finding also suggest that a woman entrepreneur's intangible resources constitute a wide array of potentialities including a hierarchical order in which human capital develops first and influences the attainment of social and reputational capital. In addition, we also examined the role of women entrepreneurs' social competence in enhancing the utility of the intangible resources, hence influencing the growth of the women-owned businesses. We found that social competence plays a key role in leveraging the effects of all three types of intangible resources. A woman entrepreneur's social competence appears to be essential to adapting, integrating, and exploiting intangible resources to the success of her business.

To our knowledge, this is the first study to examine the influence of the entrepreneur's intangible resources as well as social competence in relation to the growth of her business. It enriches current literature on entrepreneurship in the following aspects. First, this study focuses on women entrepreneurs. Women entrepreneurs and the businesses they own are growing dramatically, and women entrepreneurs are recognized as a driving force in the U.S. economy in terms of the number of businesses owned, the revenues generated, and/or the number of people employed (Greene et al., 2003). This study enriches our understanding of women entrepreneurs by focusing on the unique challenges they face and how they can address these challenges through effective utilization of their intangible resources and social competence. A qualitative approach allows us to take an initial step in studying the importance of resources and social competence to the success of women entrepreneurs. Our findings indicate that women entrepreneurs face unique challenges which require theory and practice different from mainstream entrepreneurship theory and practice. Future research empirically examining these characteristics would be beneficial.

Second, instead of viewing an entrepreneur's intangible resources and competence separately on a piecemeal basis, this study examines how entrepreneurs' intangible resources and their social competence influence the growth of their entrepreneurial firms. This integrative approach fills the gaps in entrepreneurship literature by incorporating both the resource-based view of the firm (Barney, 1991; Eisenhardt and Martin 2000) and the social competence perspective (Baron and Markman, 2003) to advance our understanding of various factors that may lead to the growth of women-owned businesses.

Third, given the unique challenges women entrepreneurs face, it is important to examine how a collection of resources (social-, reputational-, and human capital) relate to the growth of the entrepreneurial firm. Our analysis suggests that collectively, a woman entrepreneur's intangible resources constitute a wide array of potentialities. Our case analyses also revealed a hierarchical order in which human capital was first developed which influenced the attainment of social- and reputational capital.

Finally, our findings suggest that intangible resources alone cannot lead to entrepreneurial success. Social competence enhances the utility of resources and enables a woman entrepreneur to more effectively transform her intangible resources into valuable outputs.

Although this study is exploratory and the findings should be validated by future empirical research, this study offers potential implications for women entrepreneurs. It demonstrates the importance of intangible resources of women entrepreneurs in growing their business. It also provides support for the importance of social competence and the role that social competence plays in enabling women entrepreneurs to use their intangible resources to generate success and grow their business. While women entrepreneurs may have the networks, reputation, education, and experience necessary to make their business survive in the short term; in the long run, they need social competence to realize the fullest potential of these valuable resources in order to succeed. Because women in general are naturally good at being attentive to others' needs and maintaining social relationships, social competence may provide women entrepreneurs with needed capabilities to sustain their initial success and continuously grow their business.

There are several shortcomings in this paper. First, as we stated earlier, this is a first step in examining the relationship among intangible resources, social competence, and the growth of the women-owned businesses. Future empirical studies based on large samples are needed to further test the relationships proposed in this study. Second, since our results are drawn from interviews with women entrepreneurs in the mid-Atlantic region, future research with an expanded sample of women entrepreneurs from different geographic regions and countries would enhance the generalizability of the findings, and would permit a better understanding of women entrepreneurs and the performance correlates of women entrepreneurial success. Finally, a more comprehensive measure of new venture growth is needed. In addition to conceptualize growth by sales growth, profit growth, asset growth, and other forms of growth, it is meaningful to include internal development, such as the development of products, resource base, and organizational efficiency, that are relevant and meaningful to practitioners (Achtenhagen et al., 2010).

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## APPENDIX 1

### PROFILES OF INTERVIEWEES

<b>Interviewees</b>	<b>Company</b>	<b>Year of establishment</b>	<b>Industry</b>
Entrepreneur #1	Design Company	1998	Home refurbishing and landscape design
Entrepreneur #2	Financial Consulting Company	2002	Financial consulting to companies that are in transition
Entrepreneur #3	Dance Company	2005	Non-profit organization in the performing arts which also teaches dance
Entrepreneur #4	Personal Chef Service	2005	Preparation of meals for individuals and families
Entrepreneur #5	Nongovernmental Organization	2006	Non-profit organization providing solar panels to hospitals in Africa
Entrepreneur #6	Marketing Company	1991	Branding services for high technology and science companies
Entrepreneur #7	Medical Device Company	2002	Medical device company addressing spikes in body temperature
Entrepreneur #8	Women's Apparel	2005	Women's clothing manufacturer branded with professional sports logos
Entrepreneur #9	Professional Development Consulting	2002	Career consulting for college athletes
Entrepreneur #10	Fitness Center	2007	Family oriented fitness center
Entrepreneur #11	Disability Consulting Company	1991	Consulting services to assist people with disabilities on employment related issues

APPENDIX 2

FIGURE 1  
A CONCEPTUAL MODEL OF WOMEN ENTREPRENEURS' INTANGIBLE RESOURCES, SOCIAL COMPETENCE, AND FIRM GROWTH

