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QUESTO PROGETTO È SOSTENUTO DALLA  **Fondazione**  
Cassa di Risparmio di Padova e Rovigo

PROGETTI DI  
**Eccellenza**  
2007/2008

CHE LO HA SELEZIONATO TRA I MIGLIORI PROGETTI DI RICERCA  
PRESENTATI NELL'EDIZIONE 2007/2008 DEL BANDO

# THE ROLE OF ENTREPRENEUR'S HUMAN AND RELATIONAL CAPITAL IN KIBS

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Exploring Knowledge Intensive Business Services  
Entrepreneurship, business models and knowledge management strategies  
Padua - March 18<sup>th</sup> - 19<sup>th</sup>, 2011



# Aim of the paper

The aim of the paper is to examine

- ✓ the extent to which the entrepreneur's human and relational capital support KIBS performance
- ✓ the “leverage effect” of entrepreneurs' competencies (managerial and entrepreneurial) on their human and social capital in increasing KIBS performance



# KIBS & PSFs - 3 features

## Knowledge

- ✓ Not only a key production factor of the firms, but it is also the “good” sold

## In-depth interaction

- ✓ Core processes of KIBS require in-depth interaction between supplier and user
- ✓ Cumulative learning processes

## Problem solving approach

- ✓ KIBSs adapt their expertise and expert knowledge to the needs of the client

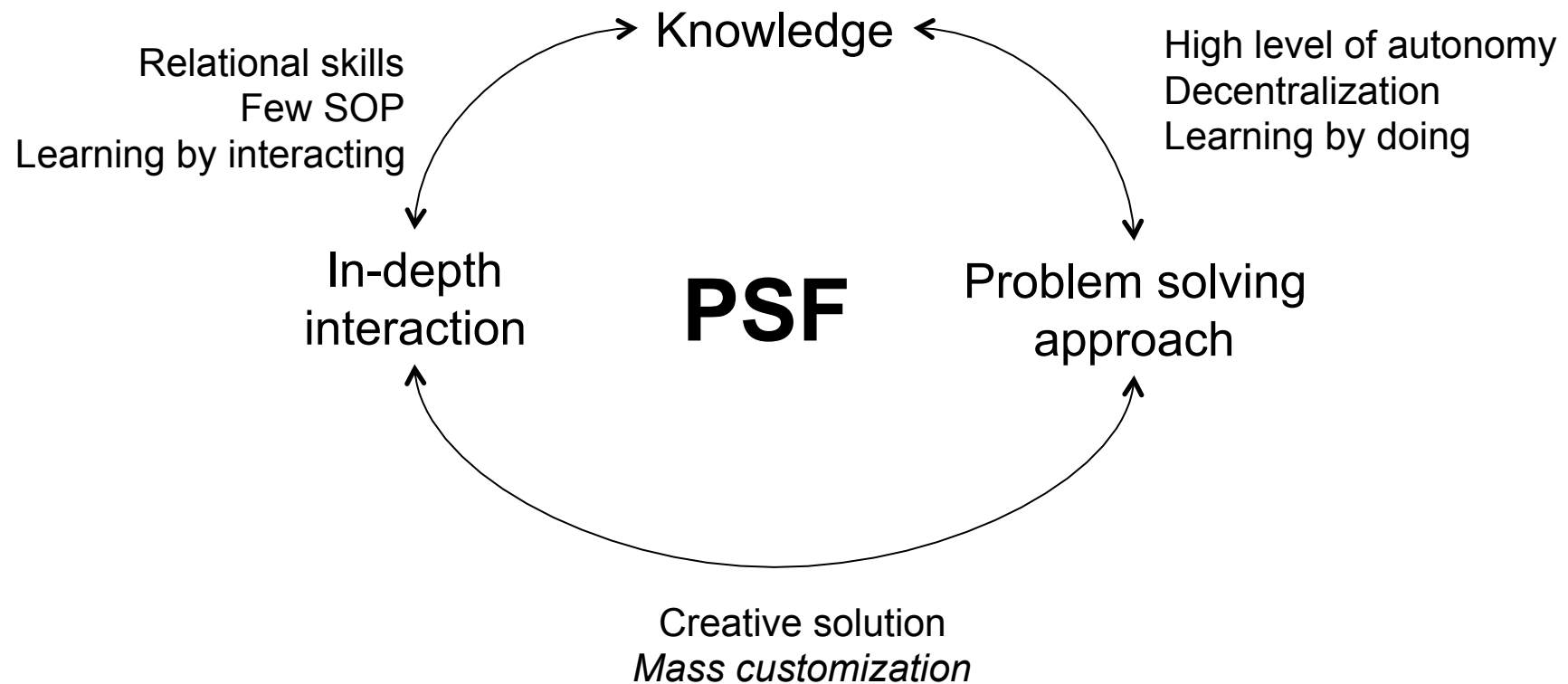


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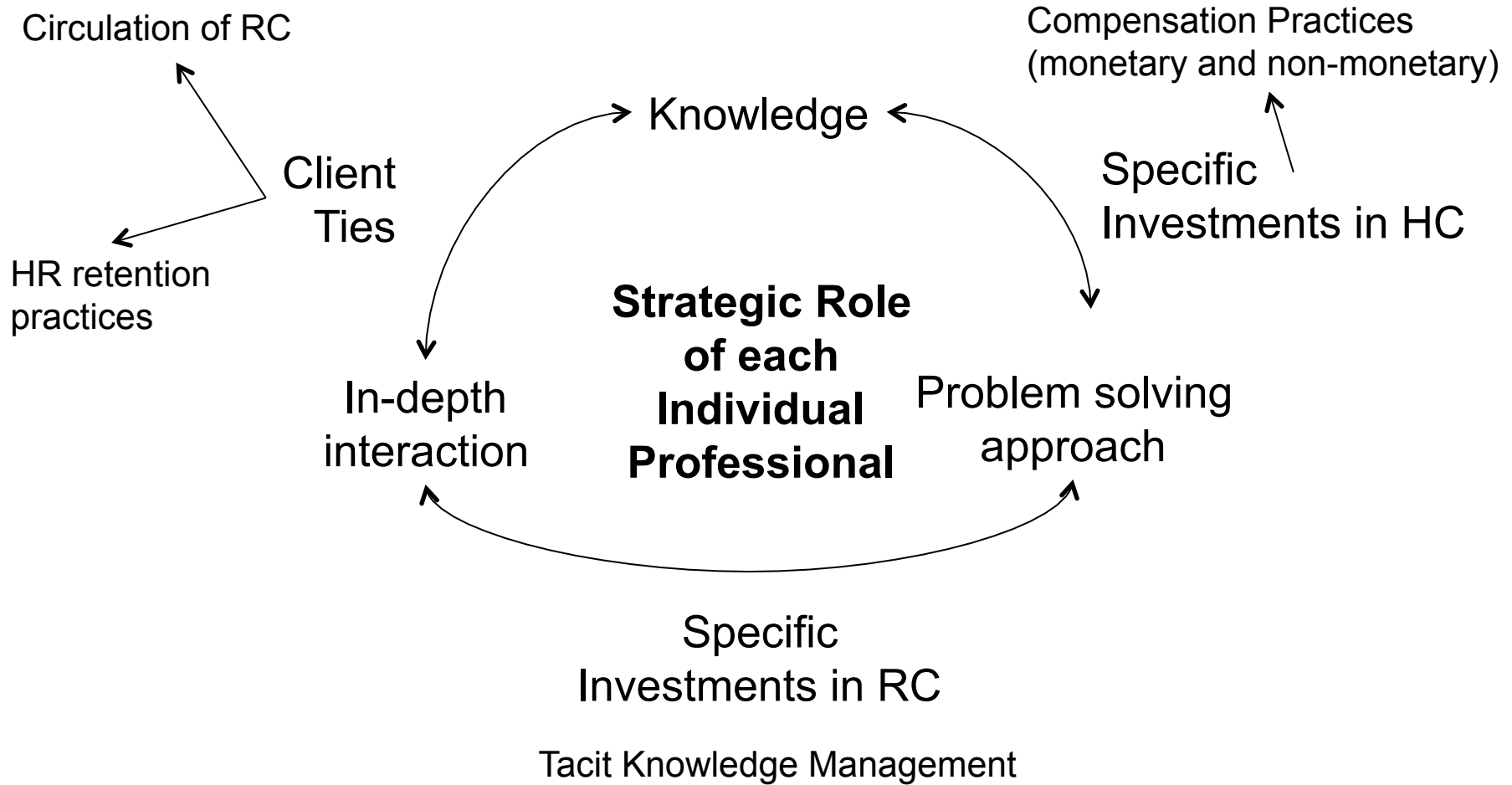
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# HR & Organizational Implications - 1





# HR & Organizational Implications - 2





# Entrepreneur's human capital and KIBS performance

All the attributes (education, experience, knowledge and skills) that are critical resources for firm performance

- ✓ discover and exploit business opportunities, prerequisite for further learning, strategy formulation [Unger *et al.* 2011]

**Generic human capital:**  
knowledge acquired through both formal education and professional experience

Hypothesis 1 - Entrepreneur's generic human capital will be positively related with KIBS firm performance

**Specific human capital:**  
capabilities directly applicable to the entrepreneurial job

Hypothesis 2 - Entrepreneur's specific human capital will not have a direct positive effect on KIBS firm performance



# Entrepreneur's social capital and KIBS performance

The sum of resources embedded within, available through and derived from the network of relationships

- ✓ gather reliable information on market opportunities; give access to customers, suppliers and financial capitals [Bruderl and Preisenderofer 1998]
- ✓ N. of people in the entrepreneurial team

Hypothesis 3 - Entrepreneur's social capital will be positively related with KIBS firm performance



# Entrepreneur's competencies and KIBS performance

Competencies relevant to the exercise of successful entrepreneurship.

- ✓ Carried by individuals - the entrepreneurs - who begin or transform organizations and who add value through their organizing of resources and opportunities (Bird 1995)

## **Entrepreneurial competencies:**

Needed to start a business  
Related to recognizing and developing market opportunities

Hypothesis 4a - Entrepreneur's entrepreneurial competence will be positively related with KIBS firm performance

## **Managerial competencies:**

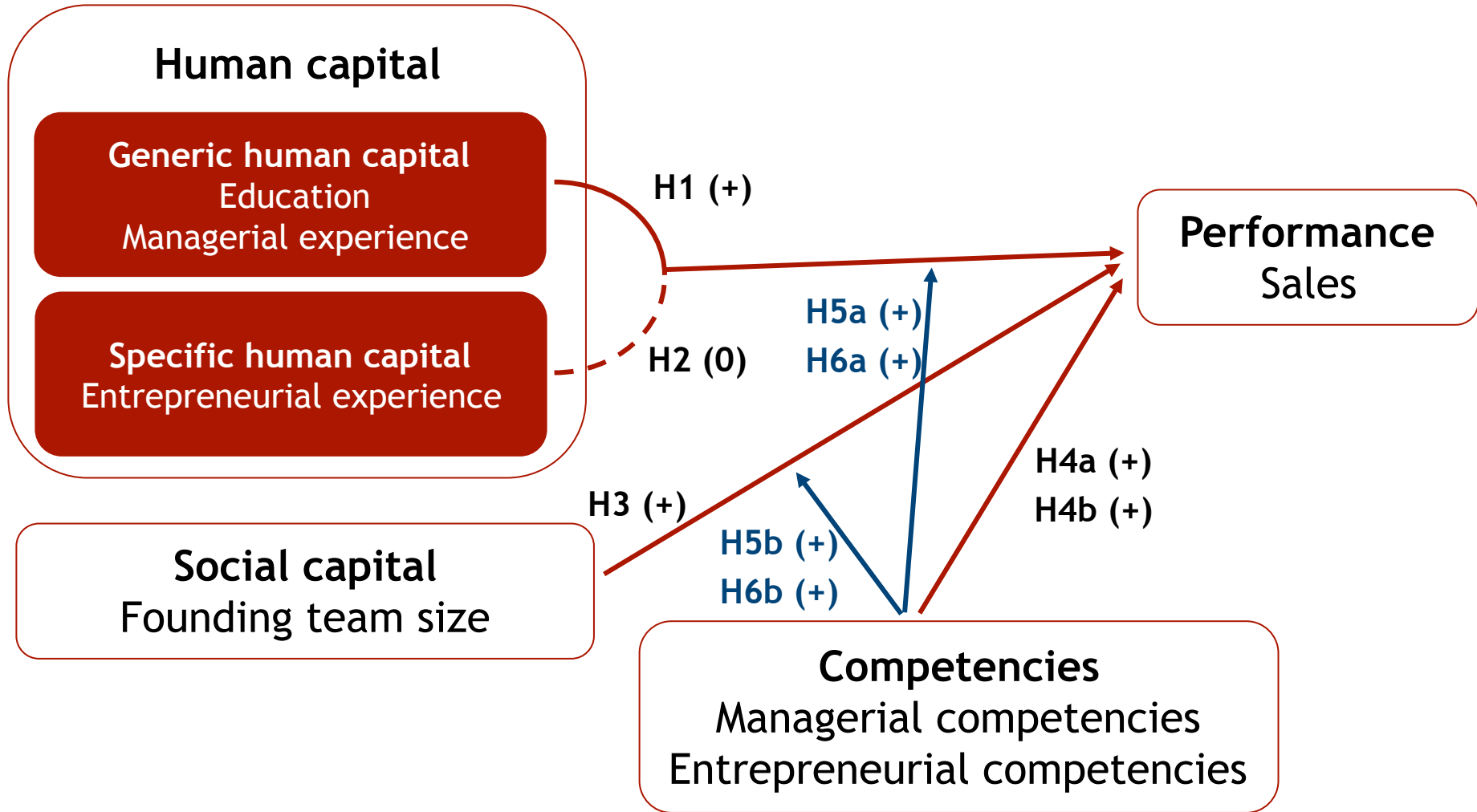
Needed to grow the business  
Related to the organization of human, physical, financial and technological resources

Hypothesis 4b - Entrepreneur's managerial competence will be positively related with KIBS firm performance





# Entrepreneur's competencies: interaction effects





# Research methodology

## The sample

- ✓ 228 firms founded before 2008
- ✓ Professional KIBS: business and management consulting, legal and accounting activities + market research and advertising
- ✓ 72.8% -> less than 10 employees (mean 8 employees)
- ✓ 50% -> less than €250,000 of sales in 2008
- ✓ Average age 10 years



# Research methodology

## Variables

- ✓ Dependent
  - Firm performance = ln of sales in 2008
- ✓ Independent
  - Generic human capital: education level, managerial work experience
  - Specific human capital: entrepreneurial work experience
  - Social capital: founding team size
  - Competencies: managerial ( $\alpha = 0.714$ ) and entrepreneurial competencies ( $\alpha = 0.645$ ) competencies (factor analysis)
- ✓ Control variables
  - Firm's age, entrepreneur's age

## Linear hierarchical moderated regression model



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# Results

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Firm's age	,228**	,210**	,247**	,266**	,269**	,237**
Entrepreneur's age	,056	,003	,021	,048	,061	,028
Education level		,324**	,298**	,276**	,244**	,300**
Managerial work experience		,162*	,128*	,106†	,121*	,131*
Entrepreneurial work experience		,094	,056	,087	-,020	,057
N. of entrepreneurial team members			,357**	,324**	,314**	,350**
Managerial competence				,308**	,282**	
Entrepreneurial competence				,002		,164*
Education* man.l competence					-,119*	
Managerial experience * man.l competence					,027	
Ent.l experience * man.l competence					-,167**	
n. entrepreneurial team * man.l competence					-,081	
Education* ent.l competence						-,034
Man.l experience * ent.l competence						-,008
Ent.l experience * ent.l competence						-,085
n. entrepreneurial team * ent.l competence						,003
R <sup>2</sup>	0.041	0.163	0.287	0.375	0.404	0.303
F	5.432	9.045	14.790	16.435	13.713	9.159



# Discussion (1)

Better educated and more experienced entrepreneurs create more profitable firms. Increasing the entrepreneurial team there is an increase in firm performance

- ✓ Hp 1 (generic human capital) - confirmed
  - Formal education and managerial work experience have a positive effect on firm performance
- ✓ Hp 2 (specific human capital) - confirmed
  - Entrepreneurial work experience does not have a direct effect on firm performance (*psychological barrier? what kind of performance: sales or innovation?*)
- ✓ Hp 3 (social capital) - confirmed
  - The number of people in the entrepreneurial team has a positive effect on firm performance (*contacts? knowledge?*)



## Discussion (2)

In order to run a profitable firm (even if small and young), managerial competencies are more important than entrepreneurial competencies

- ✓ Hp 4a (entrepreneurial competencies) - rejected
- ✓ Hp 4b (managerial competencies) - confirmed
  - When entered together in the model the effect of managerial competencies is stronger than the one of entrepreneurial competencies
  - The ability to “organize and manage” knowledge is more important (in terms of sales) than the capacity to scan environment in order to find new opportunities and/or introduce innovation
    - Debate about innovation/customization



## Discussion (3)

Managerial competencies interact with human capital in influencing firm performance. There is no influence on social capital.

- ✓ Hp 5a (managerial competencies X human capital) - partially supported
  - Substitution effect between education and managerial competencies
  - Path dependency effect of entrepreneurial experience on entrepreneur's capability to run a profitable firm
- ✓ Hp 5b (managerial competencies X social capital) - rejected
  - Team composition and leadership style
- ✓ Hp 6a and 6b (entrepreneurial competencies X human and social capital) - rejected



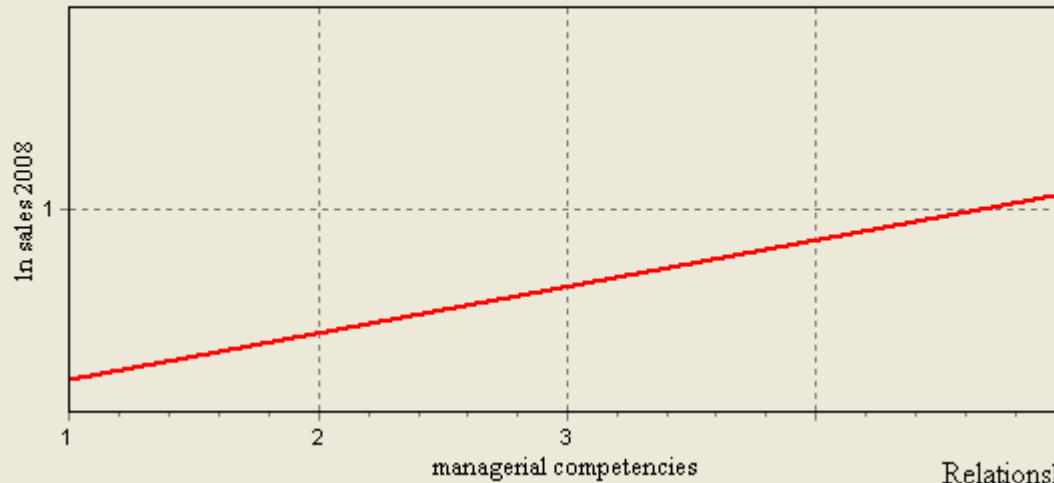
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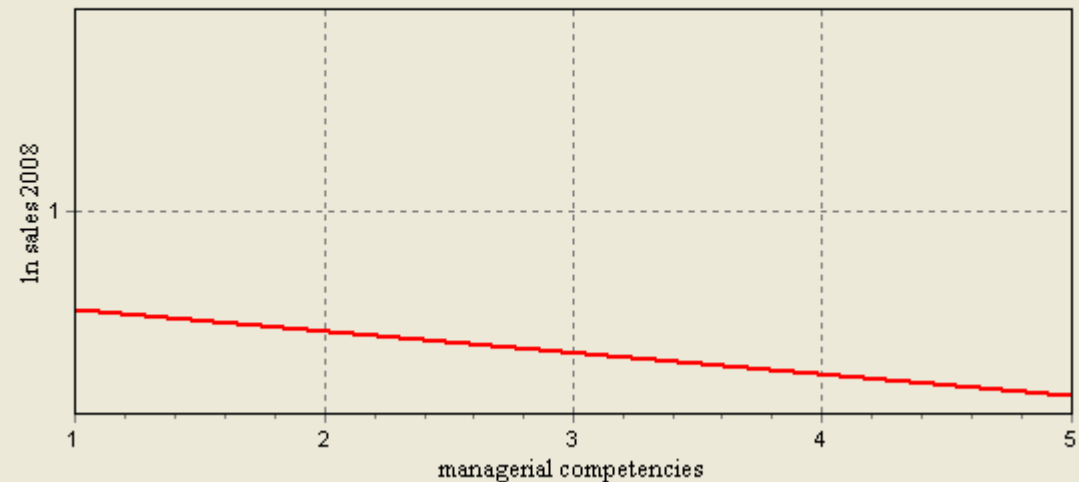
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# Interaction effect: managerial competencies X education

Relationship between managerial competencies and ln sales 2008  
When education is equal to 1



Relationship between managerial competencies and ln sales 2008  
When education is equal to 3







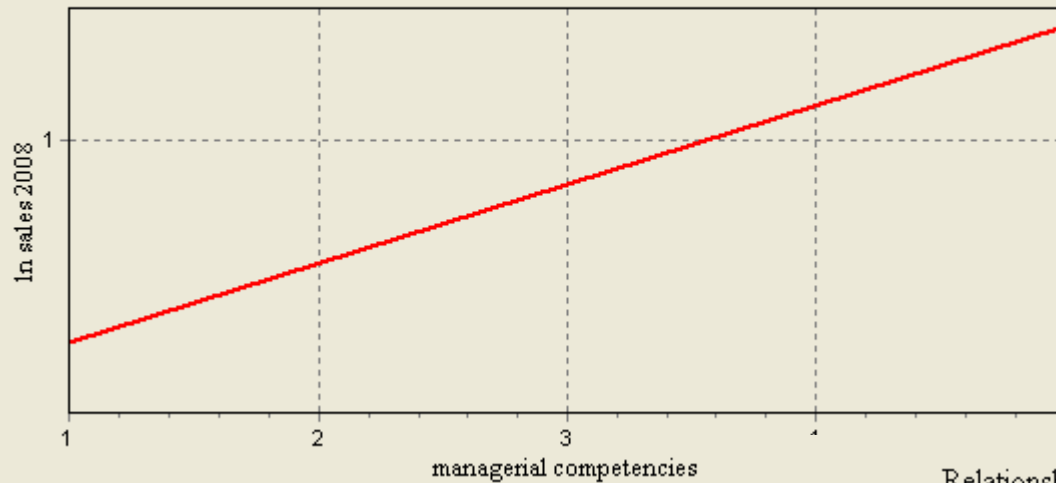
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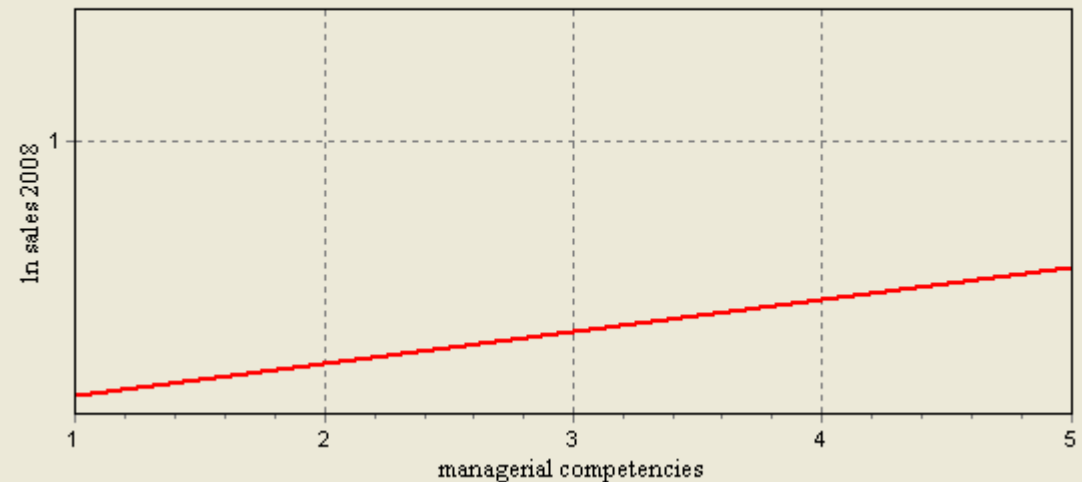
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# Interaction effect: managerial competencies X entrepreneurial experience

Relationship between managerial competencies and ln sales 2008  
When entr.l experience is equal to 0



Relationship between managerial competencies and ln sales 2008  
When entr.l experience is equal to 1





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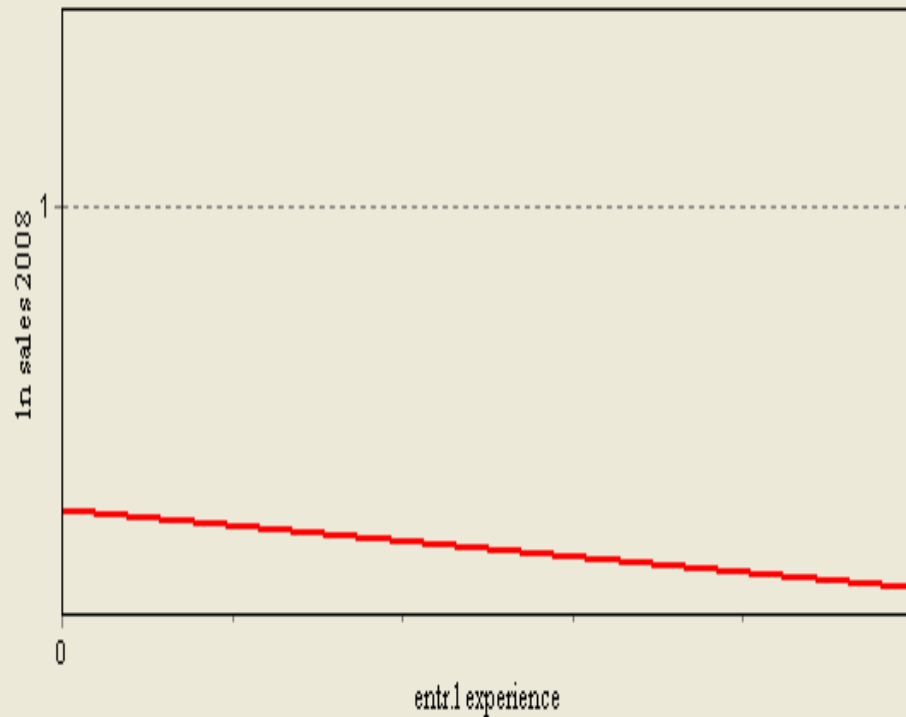
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# Interaction effect: managerial competencies X entrepreneurial experience

Relationship between entr.l experience and ln sales 2008  
When managerial competencies is equal to 1



Relationship between entr.l experience and ln sales 2008  
When managerial competencies is equal to 5





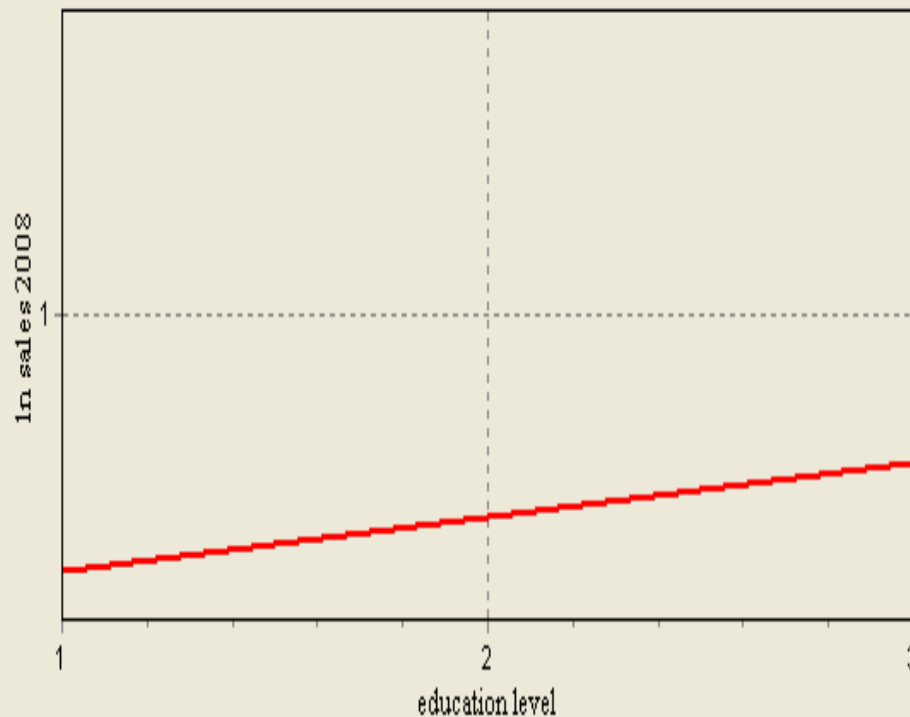
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# Interaction effect: managerial competencies X education

Relationship between education level and ln sales 2008  
When managerial competencies is equal to 1



Relationship between education level and ln sales 2008  
When managerial competencies is equal to 5

