



International Journal of Management, IT & Engineering

(ISSN: 2249-0558)

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Title

**THE ROLE SOCIAL CAPITAL COMPONENTS ON
ENTREPRENEURSHIP OF PARSABAD SMEs**

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ABSTRACT :

Social capital is about the value of social networks, bonding similar people and bridging between diverse people, with norms of reciprocity. It is 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 or recognition. The main focus of this article is surveying the Role Social Capital Components on Entrepreneurship in Parsabad small and medium enterprise (EMEs). Theoretical framework of this study is Carland et al's (1984) entrepreneurship model and Sandra Franke (2005) Social Capital model. Data has collected from 120 workers of SMEs in Iran's Parsabad Moghan city by two standard questionnaires of study variables. Both the reliability and validity of measures has examined. The Hypotheses were tested through Freedman and Regression tests. The research has shown a positive and meaningful relation between social capital with its components and entrepreneurship.

Key Words: Social capital, entrepreneurship, social capital quality, structural Components, EMEs.

1- INTRODUCTION:

The commonalities of most definitions of social capital are that they focus on social relations that have productive benefits. The variety of definitions identified in the literature stem from the highly context specific nature of social capital and the complexity of its conceptualization and operationalization. Social capital does not have a clear, undisputed meaning, for substantive and ideological reasons. For this reason there is no set and commonly agreed upon definition of social capital and the particular definition adopted by a study will depend on the discipline and level of investigation . Not surprisingly considering the different. Social capital is about the value of social networks, bonding similar people and bridging between diverse people, with norms of reciprocity (Claridge, 2004). Recently social capital has established hypothesis which has been a foundation for other management studies. In the absence of social capital other capitals lose their efficiency and taking the path of cultural and economical development and evolution would be ragged and tough (Adler, 2002).

Social capital increasingly is based on social and cultural factors and its recognition as a kind of capital in the macro management level or institutions and services management can give a new kind of understanding about socio-economical systems and help the managers in better leading of systems. Since entrepreneurship is a socio- economical process which is based on the status and context of society in two ways this kind of capital has an important role in the activities of entrepreneurs and as a result the existence or lack of social connections and communications effects the nature of business (Bolino, 2002).

Entrepreneurship is the mark and symbol of effort and success in business and entrepreneurs are the pioneers of successful businesses in the society. Their ability to take the opportunities, their strength in innovation and their capacity in succeeding are the standards which modern entrepreneurship is measured by (Brochaus & Horwitz, 1986). Entrepreneurs in leading, management, innovation, competency, job production, competition, efficiency and establishing new companies have an important role in economic growth. According to a kind of belief, entrepreneurship as a revolution is necessary for the societies. The importance of this revolution in current century is increasingly more than industrial revolution (Kuratko & Hodgetts, 1993 quoted by AhmadPour, 2007). Viewing the entrepreneurship in the frame work of social structures pave the way for a broad perspective for it, so that it shifts the attention toward the vague and less considered points, that is social aspect of entrepreneurship phenomenon.

This research is accomplished in answering this question that what relations are there between social capital components and entrepreneurship components? And its main purpose is to find frameworks for optimum social capital implementation in the process of entrepreneurship.

This research in purpose is developmental and in nature is descriptive-measurable and correlative. The sample volume of SMEs is chosen from the industrial complexes in Parsabad Moghan.

2- LITERATURE REVIEW:

2-1- Social Capital

Social capital is a somewhat broad term that has assumed a variety of different meanings and definitions

(Woolcock, 1998). Cohen and Prusak (2001) state that social capital consists of the stock of active connections amongst people: the trust, mutual understanding and shared values and behavioral components that bind the members of human networks and communities and make cooperative action possible. Hence, viewed broadly, social capital encompasses many components of a social context such as the social ties, trusting relations and value systems that facilitate the actions of individuals located within that context. Drawing on a comprehensive review of previous studies on social capital, Coleman (1988) refers to social capital as a variety of entities with two elements in common: they all consist of some aspect of a social structure and they facilitate certain actions of the actors – whether individuals or corporate actors – within that structure. Nahapiet and Ghoshal (1998) refer to these different components of social context as the structural, relational and cognitive dimensions of social capital. Lin (2001) proposes that social capital encompasses three intersecting components of structure and action: structural (embedded), opportunity (accessibility) and action oriented (use) components.

Robert Putnam, from the other side in his assessments suggests that social capital is a collection of concepts such as confidence, norms and networks which cause an optimum connection and contribution between the members of a society and at the end provides their mutual benefits (Putnam, 2002). Structural components of social capital: This aspect in terms of management structures and processes like responsiveness of managers and leaders according to their functions, transparency in decision making considers the degree of making decision and taking action according to group work and general pattern of dominant relationship in the society. This means that this aspect takes in to account the degree of relations between the people in the society (Bollino, 2002).

The quality aspect of social capital: This aspect is in terms of phenomena such as values, attitudes, commitments, partnership, and trust and includes the nature of social relations. In another words since the structural aspect focuses on this question that weather the people have any relation, the quality aspect focuses on the quality of this relation.

2-2- The Importance of Social Capital

In the recent two decades the concept of social capital in its different grounds and forms, as one of the most focal concepts, has been appeared and expressed. Even though it has developed a

great deal of enthusiasm and passion among the researches and authorities, it has caused different attitudes, views, and expectations. The notable increase of research in this field expresses the importance and unique status of social capital in different social context. Generally speaking the amount of social capital in each group or society represents the amount of trust that people have to each other (Pheyzy & Faghihi, 2007). The existence of acceptable amount of social capital facilitates the social actions, so that in critical situations, social capital can be used as the main source for solving the problems and reforming current procedures. Hence, identifying the effective factors in boosting or weakening the social capital is of utmost importance (Ranani. 2007).Some of the main elements which can be used to measure social capital are:

- Understanding public political, social affairs and the presence of motivation among people who are seeking to obtain this sort of knowledge.
- Public mutual trust
- Informal cooperative sharing in voluntary activities

In general we can say one of the main factors for social capital recognition for target society is the form and the way of people relations and the state of coexistence among the people (Adler, 2002).

Value of social capital for the personnel, specially for the knowledge personnel is drawn from this fact that social capital is the original source of power for the person and it is non transitional, that is personal social capital cannot be directly transformed to some other people (Timmons, 2003). It is not possible for an individual to sell or transform his developed network of relations to someone else; for it is possible the other people reject these relations. Individuals could help in developing personal network of relations but direct transforming of personal relations is impossible. Although this kind of transition is possible for the physical, financial and knowledge capital and this means that power and success of people in knowledge and service organizations somehow are dependent on the depth, width and transitional feature of their social capital. Knowledge personnel have understood that establishing variable and expanded networks of relations has an important role in their ability and capability to help the organization to be successful.

Social capital is developed through the establishment of personal connections which leads to a communication (Fukuyama, 1999) without any form of compulsion, so this social capital is more uncontrollable than other types of capitals. It depends on the person himself that be able to develop a kind of personal relation which would have mutual interest. An organization cannot betake social capital to its personnel and in fact developing and expanding network of relations needs interpersonal skills and personal interests.

Both the social capital and human capital have a high entropy, that is for the creation and keeping and enhancing their value both of them need a significant investment. In the case of social capital if the energy is not frequently injected into the relations, it is possible that relations or even the persons themselves be forgotten (Entropy).

When the social capital grows it is difficult to keep it in place. The critical element which here plays the role of glue and cement is trust that should be developed and expanded, because when the trust is developed, communications are more expanded and stabilized. In fact people with high mutual trust need not spend a lot of time to keep their relations and their relations remains powerful for good.

The last feature of social capital is a high level of synergy. Social capital among the different types of capitals has a high level of capability in producing synergy with the other types of capitals. meeting a problem in the organization, personnel who have a higher level of social capital with the help of a large information and relation network which have already developed in the organization and enjoy it access to critical and more important information and enjoy different views and attitudes, because each one of the persons in the network see the peripheral world and issues with a distinctive view and these different views and attitudes establish a new view for the person himself. Of course here to get help from the communication instruments and technologies can enrich more the social capital (Timmons, 2003).Destructive effect of social capital: Social capital has some costs and it can be destructive in some situations. A lot of studies have been performed on the advantages of using social capital but a less attention has been paid to the risks and threats of social capital. The first objection is related to the actors who have the original and central role in social capital. Developing and keeping the social capital in an organization needs a large amount of financial investment to keep in place and maintain the relationships between the members. In some situations the advantages derived from social capital

are so lower than the capital which is allocated to it. In another word the following inequality should always be kept in place (Alvany & Taghavy 2008).

The second threat derived from using social capital is related to the powerful connections in the organization. So that social capital has an inclination toward enhancing the relations between the members and stabilizing these relations but performed studies in this area has shown that the organizations and teams which have powerful connections with other units are slower than the teams which have weaker relations. In another word powerful connections and relations which is derived from social capital is less effective than weak connections and the teams which have weaker connections with other units work better and faster.

The other objection for the social capital is related to its integration advantage. This advantage in some situations could have a reverse result for its actors. Too much unity and integrity with the members of a group possibly involve the actors with relations and communications and divert the attention from the major purposes and missions of the organization and in some situations even replaces the purpose so that keeping in place the relations between the members replaces the purposes and missions of the organization. In addition to the possibility of purpose replacement, boosting the spirit of integrity results in reducing new thinking, laziness and prudery, and developing the phenomenon of when in Rome do as Romans do, in the organization (Adler, 1999 quoted by Alvani and Taghavi, 2007).

2-3-Entrepreneurship

Entrepreneurial opportunity can be defined as “a situation in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means” (Eckhardt & Shane, 2003). This definition is maybe a bit unclear and opportunity recognition is perhaps better defined by Christensen, Madsen and Petersen. They defined opportunity recognition as ‘perceiving a possibility for new profit through (a) the founding and formation of a new venture, or (b) the significant improvement of an existing venture (Dellabarca, 2002).

Entrepreneurship is the process of benefiting from the new, individual and valuable compound of resources in a vague and indecisive environment. Entrepreneurship means the beginning of

growth in a newly established company through a kind of innovative and risk taking management (Ahmadpour, 2002). In the process of entrepreneurship an entrepreneur starts a small and new business with its own capital (Drucker, 1985); and without considering the available resources for the people, they follow the opportunities. Entrepreneurship is the process of innovative destruction. (More recent products and facilities destruct the present market and create a new market). Entrepreneurship is the engine of economic development.

Company entrepreneurship which is a process that a company takes in order for all its members to become encouraged in entrepreneurship and all the individual and group entrepreneurial activities are independently accomplished fast and easily in the company. Independent entrepreneurship is a process that forms the early idea of production until the presenting its product to the society takes all the entrepreneurs activities with the establishment of a new independent business. Although Organizational entrepreneurship word has been accepted recently in the management vocabulary, it is a conception which is related to the entrepreneurial approach of an organization and it is rooted in the entrepreneurship literature. (Antonic & Hisrich, 2003).

2-4- The Necessity and Importance Of Entrepreneurship

From the beginning of the 1980s and simultaneously with the focus on innovation for survival and competition with the entrepreneurs who increasingly appeared in the market, the inclination toward entrepreneurship and entrepreneurs results in directing entrepreneurial activities into the companies. Beside the penetration of bureaucracy in the culture of companies during 1960s and 1970s, entrepreneurship in the major organizations was taking in to the account increasingly by the senior managers so that they could also follow the process of invention and innovation and make their new products and services marketable. In terms of competition it can also be suggested that this factor with its recent years' velocity has been a challenge for all of the companies and even the companies which are working with advanced high tech are encountered with numerous competitors.

The speed of innovation and presenting the new products is so fast that with these changes the initiatives and improvement in types and quality of productions has been a normal case so the companies should be innovative, otherwise they are condemned to destruction (Daf, quoted by

Parsaeyan and Eraby, 2000). General features of entrepreneurs: In the 20th century some psychologists such as McClelland, the psychology professor of Harvard studied the role of entrepreneurs and business masters and their major differences has been discussed from philosophic point of view and perspective. In their view for entrepreneurs who has foresight and innovative thoughts the situational factors affect their decisions in the beginning of risky activities (Collins et al, 1964). Carland and his workmates collected different features which had been studied from the outset of the case until 1984 and some of the most prominent of them are pointed out here in the following cases: Oversight and perspective, Determination, Concentration, Motivation, Time and self-sacrifice, internal control, Independence, creativity and innovation, Risk taking and ambiguity bearing.

3- RELATION OF SOCIAL CAPITAL WITH ENTREPRENEURSHIP:

Viclen believes that in addition to the economic elements such as market and capital advantages which affect the entrepreneur, noneconomic factors such as social relation networks can also affect the phenomenon of entrepreneurship, too. Social capital as a social phenomenon can lead to creativity, ideology, and it can facilitate the innovative behaviors and risk taking that could be one of the entrepreneurship indexes (Coleman, 1998). Those with higher amount of social capital have more access to the sources and information that can affect the development and formation process of business and access to the new market. Hence, social capital is of utmost importance to the entrepreneurs and those in social groups who have more social capital more likely are placed in profitable situations inside the networks, so it is more likely that they can discern business opportunities more effectively and can use them.

To be involved in entrepreneurial activities, people should be able to monitor environmental changes and evaluate the effects of these changes over their newborn business. Failing of entrepreneur on forecasting his achievement in the business produces environmental hesitancy which in turn would stop his participation in entrepreneurial activities. Even though, social networks provide the skill and knowledge which reduces the existence of natural ambiguity in the process of entrepreneurship.

4- SOCIAL INTERACTIONS IMPORTANCE IN ENTREPRENEURIAL ACTIVITIES:

Empirical studies show that social interactions play a major role in facilitating innovations and creativity which are among the indexes of entrepreneurship. Theorists have examined the relationship between social networks, the development of new ideas, and creativity. Also empirical and hypothetical studies have been carried out about the relation between social interaction and risk taking which are among other components of entrepreneurship (Nahapiet & Ghoshal, 1996).

Social relations through identification and exploration of threats and environmental opportunities and with implementing measures for neutralizing environmental hesitancy can lead to pioneering. Social relations also results in facilitating the knowledge transference and implementation of social interaction not only benefits participants in these relations, but also people themselves with reducing the expenses and time in responding to the needs and environmental threats achieve some advantages.

Recent researches suggest a connection between the network size and innovation, self renewal and entrepreneurship. The role of networks in boosting innovation and development of new ideas has been the subject of studies in recent years and their findings supports this hypothesis (Burt, 2000).

5- METHODOLOGY:

Theoretical framework of this study is Carland et al's (1984) entrepreneurship model and Sandra Franke (2005) Social Capital model. Population of the study is all workers of Pasabad Moghan SMEs. We determined the amount of the sample size with the used of p.q sampling method, which the statistical sample is 120 of these workers which have been selected through the simple random sampling method. Data has collected by two standard questionnaires of study variables. Both Questionnaires reliability was estimated by calculating Cronbach's Alpha via SPSS software that is shown in the table1.

Variables	Cronbach's Alpha
Social Capital	0.83
Entrepreneurship	0.91

Table 4. Results of reliability variables from SPSS software

Descriptive statistics has calculated for the study constructs. The Hypotheses were tested through Freedman and Regression tests. The analysis has performed with SPSS.

6- THE EXAMINATION OF RESEARCH FINDINGS:

6-1- Freedman's Variance Analysis Tests

This test is used for the examination of meaningfulness of variables ranking and because the suggested responses are based on Richard's spectrum for examining the degree of effectiveness and the way of variable's ranking here Freedman's variance analysis is used.

According to this test, the following ranking is drawn from the factors related to the social capital:

Priority	variable	Average rankings
1	Cohesion	4.68
2	trust	4.12
3	size of network	3.89
4	structure of relations	3.75
5	relational	3.05
6	mutual relations	2.81

Table 2- Prioritizing the social capital variables in terms of average rankings

This ranking suggests that among the social capital related variables in statistical society, relational item and mutual relations are weaker than other factors and should be empowered and in another side trust and size of network should be empowered in the later stages.

6-2- Ranking the Entrepreneurship Variables

6-2-1- Test of Hypothesis

There is meaning difference between the states of average ranks of entrepreneurship variables.

According to this test, the following ranking is drawn from the factors related to the entrepreneurship:

Priority	variable	Average rankings
1	foresightedness	5.53
2	risk	5.28
3	inside control	4.84
4	motivation	4.52
5	independence	4.33
6	concentration	3.69
7	determination	2.85

Table 3- Prioritizing the entrepreneurship variables in terms of average rankings

This ranking suggests that among the entrepreneurship related variables in statistical society which is target related factors of entrepreneurship, concentration and determination are weaker than other factors and should be empowered and in another side independence and motivation should be empowered in the later stages.

6-2-2-Test of Regression

Hypotheses have been tested and evaluated by inferential statistic and the results were shown.

Table4 shows the results of Regression analysis of the Social Capital and entrepreneurship.

Table4. Analysis regression between independent variables and dependent variable

Variables Entered/Removed(b)						
Model	Variables Entered	Variables Removed	Method			
1	Social Capital and entrepreneurship	0	Enter			
a All requested variables entered.						
b Dependent Variable: Entrepreneurship						
Coefficients (a)						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std.Error	Beta		
1	(Constant)	38.420	1.930		19.902	.000
	Social Capital	.544	.078	.436	6.958	.000
a Dependent Variable: Entrepreneurship						

Table 4- Regression Analysis

Since (sig) significant level test in independent variable (organizational culture) is less than 0.05. We can say that, organizational culture affects organizational innovation level. The impact of organizational culture on organizational innovation level is direct; because of Beta value is positive. The first hypothesis is confirmed by research.

Regression equation of the test is as follows:

$$\hat{Y} = 38.42 + 0.544X_1 + 0.466X_2$$

This model is significant at 95%.

For the sake of surveying the effect of social capital and its components on the entrepreneurship Regression test has been used so that firstly to test the hypothesis in terms of whether they are right or wrong and secondly to identify which components of social capital has the most effects on the entrepreneurship. For this purpose each effect of social capital as an independent variable was tested and the results of the tests suggest that from factors which are related to the social capital, relations structure index has the most effects and communication index has the less effect on the entrepreneurship and independence and creativity index from entrepreneurship are affected by none of the indexes of social capital. From the other side it can be said that nearly all components of entrepreneurship is affected by the social capital and only independence and creativity variables are affected by none of the components of social capital.

It seems that for entrepreneurship features are innate and they are not transformable and acquirable it can be said that the perimeter environment has the least effect on Entrepreneurship. Creative person is seeking opportunities, even though the environmental conditions impose different limitations on him. These environmental limitations can be weakness and shortage of social capital. As this test shows, creativity and independence variable are not affected by none of the social capital components, although none of the entrepreneurship components were affected by one of the social capital components.

7- DISCUSSION, CONCLUSION AND SUGGESTIONS:

The results of present research suggest the existence of a positive and meaningful relation between social capital and its components with entrepreneurship. This means that with the increase and decrease of social capital, entrepreneurship will be increased and decreased. The founding of the research in the target society shows that nearly all the components of entrepreneurship (according to Carland et al's model) are affected by the social capital's components (according to Aston model) and only the independence and creativity variables directly are not affected by social capital. Social capital in terms of entrepreneurship plays the

role of leverage and we cannot name it as the entrepreneurship producer, however to make the potential creativity of entrepreneur practical and results in entrepreneurship, there are so many environmental factors which affect it and one of them would be social capital.

Considering the results of data analysis the target society in terms of entrepreneurship has a favorite average, but to keep the features in place needs some efforts. In addition, when a creative person by taking advantage of entrepreneurship features runs an independent business, considering current dynamic environment, for keeping it in place and staying in the relevant industry he must have company type of entrepreneurship and avoids setting back and decline. For this purpose and for keeping entrepreneurship in a business the following suggestions are put forward:

- 1- Developing the unit of research and development in terms of productions or services and identifying the customers can provide environmental opportunities and flexibility. In another side, the establishers of the companies personally should involve in the activities, because in this way their commitment to the findings and their executions would be increased and the initial idea for establishing a business is the corner stone of its future position and an entrepreneur with taking advantage of entrepreneurial features has a broader perspective to the objectives and future of the company.
- 2- Human resources are the most valuable resources of each company and they can help the company to get to its objectives. Taking advantages of original and creative ideas even at the lowest level of the company, encouraging people to put forward their ideas and holding discussion sessions with the persons who participate directly in the process of production or delivering service can be effective in the reform and improvement processes.
- 3- The findings of this research show a high level of risk taking between the people of understudy society. Taking this advantage, managers could direct their strategy from defensive and passive form toward analytic and prospective ones and take steps in understanding opportunities, taking new technologies in production and entering the new markets. In another word there should be some efforts to surpass competitors by developing production and market.
- 4- Gaining entrepreneurship characteristics needs determination and focus on the objectives, which the understudy society is prevalent in. however in some situations social and economic

circumstances dominate these features and limit the new established companies from boosting and flourishing and the company establishers with all necessary determination and conviction for following their job have to leave the industry.

The research findings showed that the related factors with social capital are at an acceptable and satisfactory state and the only factor which has not a satisfactory condition is social integrity. For empowering the social capital in the understudy society the following recommendations are suggested.

1: for empowering the aspect of relations in social capital the horizontal relations should be increased and for these purpose the following initiatives are suggested:

- The more vesting of authority to the members.
- Establishing working committees for improving the relations.
- Holding frequent sessions and meetings with the personnel to get more information and exchange of ideas.

2: The aspect of trust is one the most important parts of social capital which is so sensitive that permanently is under a destructive situation and it is a factor which forms social relations and provides a ground for personnel partnership in a working group. For boosting the trust between the members of a society the following recommendations can be suggested.

- Making teams which their members are consisted of company managers in the same industry and holding monthly meetings to exchange ideas and experiences and also developing integrity and enhancing trust between the members. These face to face meetings not only increase the familiarity between the members, but also they would obviate the vague points and misunderstandings which would possibly exist between the members. These meetings would increase the trust and stability of the relations based on it.

- Developing group programs for boosting the spirit of group work.
- Enhancing the professional and secular morale: the managers who take into account the moral principals form a kind of relations which initiate trust.
- Feeling of social responsibility: in any business when the personnel believe in to be responsive to the society and they have responsibility against it, they would get to a

positive understanding to their job and under the light of this space trust would replace distrust.

- Strengthening of the guild and labor unions and being bound over their united decisions.
- Forming guild and professional intermediate groups to decrease the tensions and develop the space of cooperation with the participation of company representatives with more working relations.

3. Forming and keeping the spirit of interrelation or intercourse among the companies. Reciprocal action is the process of interaction in social relations and this matter itself is the function of special norms which needs different relational networks. For increasing this kind of spirit the following cases can be taken into account:

- Developing the spirit of generosity as the people with social popularity, that is White Beards, in their guild or industry step forward.
- Encouraging and appreciating the pioneer individuals in such actions and promote such spirit.

4. Integrity was one of the cases, which was not in a good condition in the target society. For strengthening this important index of social capital the following cases are pointed out.

- Encouraging and forming professional and expert groups and associations among companies: this case is one of the structural ways for increasing the social capital. People in the shape of social institutions enjoy common identity and a kind of cooperative ground is developed among them. Forming these institutes with the volunteered participation of experts and professionals of the companies can encourage others and increase the social integrity. Especially in the membership of these associations or groups the differences of size and financial power of the companies are no taken into account and the right of presence and freedom of expression is being respected.
- Forming funds for financial support with membership of the original personnel of all the companies and using its capital to help the members in solving their financial needs on a regular base of justice and candid. If the companies with more financial power support such funds the integrity would be increased.

- Establishing groups in the form of expert teams for companies which are active in an industry to solve the common problems in the field of their activity, such as providing primary materials, goods transformation and gaining governmental and bank support.

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