Investigation of Relationship between Social Capital and Intra-Organizational Entrepreneurship: Case Study of industrial Towns in Bushehr Province

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Abstract

The purpose of this paper is to examine the relationship between social capital and intra-organizational entrepreneurship. In this regard, the influencing factors were extracted by literature review and based on literature, a questionnaire was developed. The data was collected from staffs and managers of industrial firms in special economic zones of Bushehr. Sampling method was multi-stage cluster sampling that is calculated by using Morgan table and a sample of 200 was determined. In this research, two questionnaires of social capital and organizational entrepreneurship were used. The results by using the t test, Pearson correlation and multiple regression suggest that there is a significant relationship between cognitive and structural social capital in the industrial town of Bushehr at level of a=0.001, and with the growth of social capital, intra-organizational entrepreneurship increases. Also between Entrepreneurial firms and the mean industrial city of Bushehr Special Economic Zone significant differences were reported.

Keywords: social capital, cognitive aspects of social capital, structural aspects of social capital, intra-organizational entrepreneurship

Introduction

In the traditional view of management, economic development, capital, physical and human resources played the most important role in development. But nowadays, to reach the development, we need social capital rather than economic, physical, and human capital, because without the use of social capital other investments will not be optimally used.

Social capital can be known as relationships based on trust in society. Some sociologists like Coleman (1988) suggest that social capital includes the social aspect of a building that facilitates the relationships and interactions between people who are within the structure and like other forms of capital, it is generating and productive too and it makes possible certain goals achieving that were not achievable in its absence (Alvani and Seyed Naghavi, 2011).

Since one of the main characteristics of entrepreneurs is creativity and innovation, companies must improve their innovation ability. As entrepreneurial activity is the result of social interaction mechanisms, the most researches about the topic of entrepreneurship exclusively have been done about the character and context of the structural position and social capital as the most important factor is not considered (Bueno et al., 2004).

However, today the entrepreneurial process from the perspective of social scientists is a process in a network of social relations and the social relationships can facilitate or limit the entrepreneur relationship with resources and opportunities, (Ahmadpour Dariani, 1999). Here the meaning of network is a collection of individuals communicate through a special relationship with each other and these social relations are the main structure of social capital. The social capital can be understood as an economic impact of the cultural component of social system where parameters such as trust, voluntary participation, professional norms, responding to the same characteristics cause administrative costs such as supervision and control, management consulting due to bureaucratic
Recently Social capital has created theory that becomes a foundation of management studies. The social capital is from modern concepts that play a more important role than physical and human capital in organizations and communities and today in sociology and economics, and more recently in management and organization are widely used. It referred to communication links between members of the network as a valuable source of reference that with the creation mutual norms and trust leads to reach goals of members. In the absence of social capital, the other capitals lost their effectiveness and the way for economic and cultural development becomes rugged and difficult (Baker, 2003). Therefore, in this study we sought to examine the relationship between social capital and intra-organizational entrepreneurship.

**Literature Review**

In recent decades, social capital has become one of the major topics of interest to academic and research world. Social capital is a set of norms, informal values, customary norms and moral obligations that the interaction behaviors of individuals relationships are formed within their framework and facilitates the social relationship and usually leads to increased cooperation and social participation and contribute to the economic and financial capital and human capital to interact with each other to reach a dynamic growth (Field, 2009).

In the absence of social capital, i.e. the ability to use collective resources and the cooperation to do public tasks, it is unlikely that only providing financial capital and human capital through education could have positive outcomes such as economic growth, poverty reduction, more public participation, and the answering of the general organizations. Therefore, the design of this approach in economic issues is indicative of the importance of organizations roles and social relations on economic variables. The term of social capital refers to perspective of social organization such as networks, norms, trust and responsibility that will increase the production potential of a society (Kavousi et al., 2008).

Social capital as a social phenomenon leads to creativity, idea-making, facilitating innovative and risk-taking behavior and plays an important role in entrepreneurial activities.

This investment will consolidate employees and employers relationships and create values by facilitating collaborative activities successfully and it is a resource that can benefit managers and staff. This investment reflects the characteristics of social interactions in a company and can be considered equality with other physical resources, financial and human equality act (Coleman, 1994).

Based Francis (2002) findings, Social capital refers to the knowledge, perceptions, norms, rules and shared expectations about patterns of interactions that a group of people provide it in dealing with complex social issues and their status with the organization of collective action. In other words: The concept of the links and connections between network members refers to valuable resources that by creating norms and mutual trust will result in achieving the goals of the members. This concept has two main aspects: cognitive and structural aspects (Francis, 2002).

As social capital is a new and crucial aspect of a community and in all societies, it has no single form so its formation must be tailored based on the needs of society and factors such as national identity, history, beliefs, religion, joint pains and joys and profit and loss in the general population. Thus, social capital can not be measured in different populations with the same index.

In social capital, several models for the identification and its impact on other aspects of the other concepts of social enterprise is drawn such as a model based on characteristics of social
groups, a model based on surveys, a model based on economic approach, a model based on enterprise value, calculated based model for cost-saving point (Kavousi et al., 2008).

By combining these different approaches, it can be inferred from these arguments that, even if the concept of social capital is units concept, it certainly does not the same in all communities and its capital requirements is that in each community takes the shape of the needs of the community. Because it includes issues such as national identity, history, beliefs, religion, social capital and shared sorrow and joy (Alviri, 2003).

Recent research conducted by researchers in management science with the concept of social capital, have established the concept of entrepreneurial inclination within the proposed intra-organizational process by which products or processes by inducing innovation create entrepreneurial culture in an organization, appear. Entrepreneurship works within the organization to expand your current or new routes in structures, attitudes, norms, technologies, services and products place (Antonic & Hisrich, 2003). Artorcole defined entrepreneurial activity as a common and ongoing management that is objective and includes a series of integrated decisions of individual or group of individuals to maintain or expand their business unit with intent to manufacture or distribute goods and services (Brazeal & Herbert, 1997).

In another definition entrepreneur is stated as follows: it is the bridge between society as a whole, particularly of non-profit organizations established for the enjoyment of economics, social, and economic benefits and satisfy economic aspirations (Kuratko & Hodgetts, 1989). Entrepreneurship is generally a mediator variable that its speed feature affects on economic development. For him, the four factors are important for the emergence of entrepreneurship:

- Economic factors: the advantages of the market and the availability of capital,
- Non-economic factors: cultural acceptance of entrepreneurship, social mobility, security, social class - degree of control
- Psychological factors: motivation, the need for risk-taking and success,
- Combination of factors: all factors combined to Product/service innovativeness and process innovativeness (Johannisson, 1996).

Intra-organizational entrepreneurship look have different aspects that each expert has given more attention to one of them that include: Innovation in the process/service (Antonic & Hisrich, 2003), Product/service innovativeness and process innovativeness, New ventures and new business, risk-taking (Johannisson, 1996), productiveness (Lumpkin & Dess, 1997), aggressive competition (Covin & Slevin, 1991).

**Social Capital and Organizational Entrepreneurship**

Entrepreneurship in the researchers’ viewpoint is a social - economy phenomenon that placed in a network of social relations. Antonic & Hisrich believes in addition to economic factors such as market and investment advantages that have an impact on job creation, economic factors such as the network of social relationships can influence the entrepreneurial phenomenon.

Social capital as a social characteristic that cause creativity, idea-making, facilitate innovation and risk-taking behaviors are considered as indicators of entrepreneurship (Coleman, 1988).

This type of investment in entrepreneurial activities is important because entrepreneurship is a process of socio-economic that depends on the circumstances and context of the social in two ways, first, entrepreneurs are people who are a product of their social environment. Second, entrepreneurship is a social activity resulting in the presence or absence of social communication and the nature of the business impact on the business (Anderson and Jack, 2002).
Liao and Welsch (2005) examined the role of social relations in generating innovative ideas. He concluded that people who are connected to community groups, could provide valuable ideas and their creativity are adequate. In general tendency towards innovation among entrepreneurs is a function of social relations in which they are located.

Recent research suggests an association between network size (number of interactions and links) innovation, renewal and entrepreneurship. The role of networks in fostering innovation and development of new ideas were the topic of research studies in recent years and their findings have supported this theory (Burt, 2000).

Qolipur (2008), in a study titled "Analysis of the relationship and impact of social capital on corporate entrepreneurship within the Sarir industry group " explored the relationship between the cognitive aspect (quality) and structural social capital on corporate entrepreneurship in the Sarir industry group. His results showed that there is a significant relationship between social capital and entrepreneurial aspects. Ashena (2006), in a study titled "Evaluation of the relationship between social capital and entrepreneurship in the internal in 1964" examined the role of structural and cognitive social capital on entrepreneurial enterprise from the perspective of managers, directors and experts of wagon Pars Company in Arak. The results showed that there is a significant relationship between social capital and intra-organizational entrepreneurship.

In general, in investigation of the relationship between social capital and organizational entrepreneurship, scholars have different opinions but most of them emphasize that social capital provides fertile ground for the development of entrepreneurial capabilities. In other words, most researchers consider reinforcing social capital as an important factor in promoting entrepreneurship and emphasize the role of social capital in entrepreneurial activities and processes and positive influence on entrepreneurial characteristics of social communication and relationships.

**Conceptual Model of Research**

Variables reviewed in this study drawn from the literature include: social capital and organizational entrepreneurship.

In this study, by combining patterns of Ghani (2009), in the cognitive aspects (quality of social capital) and Stone (2001), in the structure, the social capital has been calculated. In the case of entrepreneurship from the model of Antonic& Hisrich (2003), is used which consists of 8 aspects. In this study, social capital is considered as an independent variable and its impact on organizational entrepreneurship is examined as the dependent variable. The theoretical framework of this study is as follows:

![Diagram of Conceptual Model of Research](http://www.european-science.com)
Research Methodology

This study is descriptive and correlational. The research population involved managers and employees of all companies of the special economic zones and industrial estates in the province Boushehr which conclude 19 towns and 184 industrial active firms. Sampling method for the study was multi-stage cluster sampling method because of extensive statistical and geographical distribution. In order to select a sample, industrial enterprises operating in special economic zones and industrial park of Bushehr 1 and 2 were selected among 19 industrial towns. Then among the companies operating in special economic zones and industrial parks 1 and 2 of Bushehr, 18 companies were selected and then among the total of 416 entertainment executives and staff, 200 people was determined using computed Morgan. The data collection tool is questionnaire that in this case the questionnaire included 20 questions to measure social capital variables and 20 questions measure intra-organizational entrepreneurship. In order to assess the validity the reliability of the method, Cranach’s alpha reliability is used that the reliability of social capital questionnaire was determined 0.77 and the reliability of entrepreneurship was obtained 0.92.

Results

Hypothesis 1: There is a significant relationship between social capital and entrepreneurship

Table 1: Correlation coefficients between social capital and intra-organizational entrepreneurship

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation Coefficient</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social capital</td>
<td></td>
<td>0.3</td>
</tr>
<tr>
<td>Intra-organizational entrepreneurship</td>
<td></td>
<td>0.001</td>
</tr>
</tbody>
</table>

As can be seen in Table 1, the Pearson correlation coefficient indicates a positive relationship between social capital and intra-organizational entrepreneurship that mean more social capital will lead to more intra-organizational entrepreneurship. This relationship were significant at level \( P <0.001 \). Therefore, the hypothesis was confirmed.

Hypothesis 2: There is a significant relationship between cognitive aspects of social capital and entrepreneurship.

Table 2: Correlation between cognitive aspect of social capital and organizational entrepreneurship

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation Coefficient</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive aspect of social capital</td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td>intra-organizational entrepreneurship</td>
<td></td>
<td>0.005</td>
</tr>
</tbody>
</table>

As can be seen in Table 2, Pearson correlation coefficient indicates a positive relationship between cognitive social capital and organizational entrepreneurship. This means that more trust and mutual cooperation among its members will lead to more increase of intra-organizational entrepreneurship. This relationship were significant at level \( P <0.01 \). Therefore, the hypothesis was confirmed.

Hypothesis 3: There is a significant relationship between structural aspect of social capital and entrepreneurship.

As can be seen in Table 3 Pearson correlation coefficients indicate a positive relationship between social capital and entrepreneurial organizational structure.
Table 3: Correlation between structural aspect of social capital and organizational entrepreneurship

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation Coefficient</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>structural aspect of social capital</td>
<td>0.301</td>
<td>0.001</td>
</tr>
<tr>
<td>intra-organizational entrepreneurship</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This means that more informal organizational relationships within the model will lead to more intra-organizational entrepreneurship. This relationship were significant at level (P <0.001). Therefore, the hypothesis was confirmed.

Hypothesis 4: There is a significant difference between social capital of a Special Economic Zone and industrial towns

Table 4: Comparison of the average social capital of companies of Special Economic Zone and industrial towns

<table>
<thead>
<tr>
<th>Company</th>
<th>Numbers of people</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Degree of freedom</th>
<th>T Value</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>industrial towns</td>
<td>134</td>
<td>64.73</td>
<td>9.48</td>
<td>198</td>
<td>0.26</td>
<td>0.79</td>
</tr>
<tr>
<td>Special Economic Zone</td>
<td>66</td>
<td>64.37</td>
<td>8.32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As can be seen in Table 4, there is no significant difference between the average social capital of Special Economic Zone and industrial towns (P>0.05). Therefore, the hypothesis was rejected.

Hypothesis 5: There is a significant difference between entrepreneurial activity of Special Economic Zone and industrial towns.

Table 5: Comparison of the mean levels of entrepreneurial activity of Special Economic Zone and industrial towns

<table>
<thead>
<tr>
<th>Company</th>
<th>Numbers of people</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Degree of freedom</th>
<th>T Value</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>industrial towns</td>
<td>134</td>
<td>62.82</td>
<td>14.5</td>
<td>198</td>
<td>3.73</td>
<td>0.001</td>
</tr>
<tr>
<td>Special Economic Zone</td>
<td>66</td>
<td>70.77</td>
<td>13.39</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As can be seen in Table 5, the mean difference between entrepreneurial activity of Special Economic Zone and industrial towns (P <0.001) is significant. Thus, according to the average industrial town of entrepreneurial activity of Special Economic Zone and industrial towns it would be said that the level of entrepreneurial activity of Special Economic Zone is more than firms in the industrial town. Therefore, the hypothesis was confirmed.

Discussion and Conclusion
The main objective of this study was to determine the relationship between social capital entrepreneurial activity of Special Economic Zone and industrial towns. Findings related to the hypotheses of the study showed that there is a positive and weak relationship between social capital and entrepreneurship at P<0.001. There was no significant difference between the average social capital of companies in Special Economic Zone and industrial towns (P=0.79) but the differences between average entrepreneurial activity of Special Economic Zone and industrial towns was significant (P <0.001). Thus, according to the average entrepreneurial activity of Special Economic Zone and industrial towns, it could be said that the level of entrepreneurial activity of Special Economic Zone is more than firms in the industrial town. The result of the research findings is consistent with Ashena (2006), Theoretical of Coleman (1994).
As noted, social capital via communication links between members of a network refers to the valuable sources that by creation of people norms and trust lead to achieving the goals of its members. By decreasing or increasing the value of social capital, entrepreneurship within is reduced or increased. Organization that has a strong social capital can with its impact on the exchange of information and transfer of tacit and explicit knowledge leads to the flourishing of new ideas in people that this new ideas cause more creativity in employees. Ultimately creativity leads to innovation and entrepreneurship in the organization. So a Corporate with more social investment could be potentially entrepreneurs and vice versa.

The structural dimension of social capital in relation to the managerial structures and processes, such as the accountability of managers and leaders in terms of their performance, transparency in decision making and the decision is based on teamwork. This means that whatever the pattern of intra-organizational relationships and informal employee participation and access to management is easier and pay more attention to individual differences in terms of staff expertise and performance, intra-organizational entrepreneurs increases.

Horizontal and vertical structures that have relationships with decision-making and teamwork is associated with intra-organizational entrepreneurship, Because of having the structure of the organization as appropriate in decisions and do things as a group, it leads to ideas and innovations in the organization and ultimately lead nurturing intra-organizational entrepreneurship.

In the viewpoint of the managers and employees of these companies, cognitive and structural dimensions of social capital leads to the formation of norms, values and customary rules in organizations and improve the level of social participation and social capital thus provides a weak impact on creative ideas, innovative behavior, risk-taking and intra-organizational entrepreneurship. Based on these results, we can say that in the belief of managers and employees of industrial enterprises of Bushehr, financial capital, physical and human capital and equipment are considered as a major factor of production, and the role of workers cannot be seen in development of social capital issues that are important in the slightest degree of importance, the reasons of such viewpoint can be described by the following issues:

1. Traditional management of companies and the lack the expertise managers in these companies
2. Lack of skilled and innovative workers
3. Lack of understanding of the problems of industrial units in the industrial towns and special economic zones by the heads of the companies because of their long work hours, lack of expertise in manufacturing and their low organizational powers
4. Failure to classify firms in terms of employment and entrepreneurship for credit
5. Rely on employment data of initial startup companies and the lack of real data at appropriate intervals to inform from the employment situation in the units
6. Damage caused by excessive imports of cheap Chinese goods with similar quality
7. The deteriorating company's financial situation and the lack of credit and its high interest

Research Limitations
1. Limitations in comprehensive review of all corporates and industrial towns
2. Restricting the study population to the studied samples
3. Failure to use research tools such as interviews and observation
4. Limitations in generalizing the results to other provinces because of the limited statistical community of Bushehr
5. Lack of interest of directors and staff to complete the questionnaire.

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6. The effects of managers handling with employees and their interaction with each other in completing the questionnaires.

Practical Recommendations of the Results
1. The heads of companies and industrial estates by encouraging their employees to value and trust in the workplace, encourage entrepreneurial spirit in them
2. Training courses and experiences of successful organizations and companies about the use of social capital by companies and industrial estates
3. Monitor and track ongoing problems of staff with the chiefs of companies and industrial estates and continuous interaction with staff and removing barriers between them
4. Encouraging innovation and entrepreneurship in the corporate and industrial towns of the province
5. Remove the rules and guidelines inhibitors in developing of informal groups and communication and staff quick and easy access to managers and supervisors in enterprises and the industrial towns of the province
6. The visit of heads of corporations from the successful companies in the field of entrepreneurship in the industrial towns
7. Encourage and strengthen collaborative partnerships between companies and institutions in order to increase social capital
8. Creation a plan to enhance recreation and tourism envision to increase trust and reciprocity relations between staff and the development of social capital
9. Communication and quick and easy access staff to managers and supervisors

Research Suggestions
1. The use of social capital indicators in assessing the performance of companies and industrial enterprises of Bushehr
2. The assessment of social capital and the industrial town of Bushehr
3. The study of the relationship between science and technology parks and industrial towns in the province and welcoming the new ideas and creative
4. Evaluation and comparison of social capital and the industrial towns of the province with other organizations and government agencies and its role in creativity and intra-organizational entrepreneurship
5. Review and evaluate management and corporate social investment in the industrial town of Bushehr
6. Investigation of factors influencing social capital and entrepreneurship within the corporate and industrial town in Bushehr Province

References


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