

An Investigation of the Relationship Between Social Capital and Organizational Entrepreneurship in Saipa Sazehgostar Company

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Abstract: Nowadays, organizations need social capital in order to achieve their aims. Organizational entrepreneurship is contingent upon the spirit of the individuals and feelings of empathy between them. Creating sustainable solidarity among individuals depends on the existence of social capital in the organization. The main purpose of this article is to examine the role of the dimensions of social capital on organizational entrepreneurship. This is a descriptive survey research which was done using a questionnaire distributed among a statistical population of 150 employees and 70 managers in the Saipa Sazehgostar Company (S.G.S). The selection process was performed randomly according to the Cochran formula. The results reveal that improving the social capital aspects and its relative factors will lead to the improvement of organizational entrepreneurship. Also, structural social capital has a significant effect on organizational entrepreneurship. Structural social capital will also encourage risk taking in ventures. This indicates that the organization's structure has an influence on ventures.

Key words: Social Capital • Organizational Entrepreneurship • Structural Social Capital • Relational Social Capital.

INTRODUCTION

In order to achieve their goals and satisfy their needs, organizations need to take advantage of organizational entrepreneurship. Entrepreneurship in an organization involves the development of ideas, innovation in services, risk-taking, etc. Enhancement of any of the organization's dimensions relies on its social environment. Today, entrepreneurship in organizations depends on the social environment. Organizations have social environments which could significantly contribute to the improvement of organizational entrepreneurship. Social capital is one of the aspects of the social environment.

Social capital in organizations is a new concept that has recently appeared in the management literature to explain the relative success of the organization's members [1]. The importance of social capital in organizations is that it brings people together (groups, teams,

organizations, etc.) and helps them successfully carry out their business activities [2]. Both scholars and practitioners remain interested in studying and better understanding organizational entrepreneurship [3]. Organizational entrepreneurship has been viewed as the driver of new businesses within on-going enterprises as achieved through internal innovation, joint ventures or acquisitions; strategic renewal [4, 5]. Sharma and Chrisman define organizational entrepreneurship as "... the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization, or instigate renewal or innovation within that organization" [8]. The entrepreneurs should give the necessary freedoms to inter-organizational entrepreneurs and support their employees' ideas in order to establish organizational entrepreneurship. Organizational entrepreneurship has been regarded as a critical element for the survival and performance of companies and includes four dimensions

of risk taking, innovation, self renewal and proactively [7, 8]. These four aspects are different in terms of activities and attitudes. As mentioned, what is very important in an organization is the existence of a network of ties between individuals and creating a communication network [9, 10]. Extensive studies have been done in the field of organizational entrepreneurship. But it should be noted that these studies have not discussed the importance and necessity of culture which is the social capital in the society. The previous research indicates that organizational factors include proper application of reward, organizational risk taking [11], resource accessibility [12, 13] and manager's support [14].

The Sazegostar Saipa Company (S.G.S) supports the Saipa automotive industry. The statistical population of the research has been considered for two reasons: 1) the members of the company need to develop ideas and introduce innovation in services in order to pursue higher goals in the company and attract more customers; and 2) the social network, trust, etc are not usually clear or tangible in the automotive industry of Iran including S.G.S, therefore, it is necessary to investigate the attitude of the S.G.S members and staff toward the effect of social capital on organizational entrepreneurship.

The present paper contributes to the literature by investigating the social capital forms in organizational entrepreneurship in the Sazegostar Company. Since, nowadays companies need social capital to ensure customer satisfaction. Certainly, the type of the social capital can affect the organizational entrepreneurship which will lead to organization maintenance during its life. It is proposed that the relationship between entrepreneurship and social capital, networks and finding opportunity, entrepreneurial interaction networks, networking and business legitimacy. If there is distrust and lack of communication between individuals and members of an organization, it would result in alienation which in turn could create a gap between individuals in an organization. In this article, first the types of social capital in organizational entrepreneurship is analyzed, next, the data from distributing the questionnaires among the research sample will be analyzed. Thus, the main aim of this article is to investigate and explain the social capital dimensions in organizational entrepreneurship.

Literature Review

Social Capital: Social capital has been studied by many humanities scientists. During this period, extensive studies have been done about social capital in various subjects in Iran and other countries with each emphasizing on the importance of social capital and

investigating it. Social capital denotes the ties between people, social networks, interactive norms and reliability that ensue from the last two. Generally, social capital includes institutes, relations, attitudes, values and norms that govern the behaviors and interactions between individuals. The importance of networks and social relations [15], trust in economic growth [16, 17], development [18] have each been shown. In their study, Kanak and Keefer (1997) investigated the effect of social capital and economic growth. They found that increase in social capital can influence economic growth [32]. Of course, it should be noted that these bodies of research have mostly investigated the importance of social capital in the contexts of economy, development and entrepreneurship.

Studies on organizational entrepreneurship have all been driven from the effects of organizational structure and pattern on organizational entrepreneurship. Hooman (2003) and Earabi (2002) regard organizational entrepreneurship management as a way to increase the prospects of employment [29, 30]. Jahangiri (2003) examined the effects of organizational entrepreneurship on organizational communications [13]. Offe & Fuchs (2000) introduce social capital as a source with collective ownership which belongs to communities, regions and districts and deem it as unpredictable, small, large, low or high [12]. Offe & Fuchs define the concept of social capital with three main elements and indicators. In terms of attitude, it refers to awareness and attention and in terms of behavioral dispositions to trust and in terms of structural patterns to associability [12].

Social capital denotes the relationships between individuals and social networks, mutual relations' norms and reliability from these both. Woolcock (1998) defines the communication networks and norms as social capitals that allow people to work collectively. On the other hand, the definitions of social capital suggest a source for individuals' benefits. Social capital refers to accessible resources in social structures such as trust, interactive norms and mutual aid that prepare the individuals for collective action and it appears as bilateral products of social relations and civic conflicts in official and unofficial organizations [31]. For example, Coleman (1988) defines the social capital as the capital and resources that the individuals and groups can obtain via the ties they have with each other [19]. Generally, social capital is significant in that it enables the individuals to have a more effective cooperation with each other by developing trust, networks and closer cooperation.

Putnam (1995) argues that with social capital individuals can solve the common problems more easily,

facilitate the development of trust and interactions, increase the relationships between the individuals, boost information flow and promote the individuals' lives since they tend to help each other out in the ups and downs of life [33].

Social capital varies according to cultural and social differences in every society. Onyx & Bullen (2000) assessed social capital in five various communities in Australia and identified eight elements which signify social capital including: partnership in the local community, action orientation in a social situation, feelings of trust and security, neighborhood relations, state and family relations, tolerance, appreciation of life, work relations [21].

Social capital dimensions applied in the present research adopts an integration of the models used by Leana & Van Buren, Nahapiet & Ghoshal, Violanova & Josa. According to Leana and Van Buren (1999), the organizational social capital consists of two main components: dependence and trust [23]. Also, according to Villanova and Josa (2003), social capital is a management phenomenon that includes seven components of trust, common values, relations, cooperation, mutual obligation, mutual understanding and networks [22]. They researchers identify social capital as a management phenomenon which facilitates access to mutual benefits and increase the value of intangible assets [22].

Leana and Van Buren (1999) also created a construct and named it "organizational capital", according to whom, represents the features of inter-organizational social relations. They considered the social capital as an asset that is beneficial for both the organization (via creating value for the stakeholders) and the members of the organization (via enhancement of the employees' skills) [23]. Nahapiet & Ghoshal (1998) identified three dimensions for inter-organizational social capital employing an organizational approach: cognitive, relational and structural [20].

Various studies have been done on social capital [20, 22]. In the present paper, the theory of Ghoshal & Nahapiet (1998) was used because of its systematic and comprehensive approach toward each dimension of social capital. Social capital has three dimensions: structural, relational and cognitive [20]. The indexes of relational and structural social capital were used because of their suitability in the context of S.G.S.

Theoretical Framework

Relational Social Capital: This aspect denotes the mutual relations and trust and the latter is also divided into two types: institutional and social [24]. In other words, mutual relations and trust which are among the organization members are in line with organizational aims. The relationships between employees, fellowship, peace are the subjects which are measured by this aspect [25, 20].

The first aspect, the relational social capital, has two indicators: trust and mutual relations. Trust is considered as one of the essential indicators of social capital. It involves having confidence and peace among the organization employees. The organization is an official environment that an individual regards as affecting his/her life after family. If individuals are close with and friendly toward each other, they could influence and attract each other. Trust is considered as one of the main aspects of creating normative and environmental opportunities and can affect the employees' behaviors and actions. Interaction between employees and members is among other indicators that are very effective in the organization. The relationship between employees significantly influences entrepreneurship and the creation of business opportunities. For accessing new data resources, developing new ideas and creating new values require network connections, relations and ties in the organization. Risk taking and creative individuals who intend to take entrepreneurial initiatives will find themselves in a trap. In other words, they should have access to resources and data in order to promote growth and success in the organization; however, because of the dearth of resources, access won't be possible. The key solution to access the previous data and experiences in an organization is to observe the social interactions and reactions between employees and members. The reaction between the employees will fill the gap between individuals and business value creation. Given the aim of present research, the higher the cognitive social capital increases between the members, the more the organizational entrepreneurship dimensions will develop.

Structural Social Capital: This dimension assesses the general relations pattern which is found in an organization. In other words, it involves the relationship between employees [26]. The structural social capital dimension includes the present connections in the network, form and figure of the network and organizational fit [27]. The important advantage that entrepreneurs get from non-structural networks includes in time accessibility to "non-redundant information" and

“referral sources”. The groups and organizations which have faced structural differences and have broken up into two or three smaller groups can obtain information by creating trust and cooperation, beyond the present borders of the organization and help advance the structural social capital. In other words, structural social capital can be the same as other activities such as creating diversity and capacity between organizational units. The foundation for this is to develop social capital for organizational entrepreneurs [28]. Every organization has special functions and goals and cannot fulfill its functions and its social and economic roles without the structural social capital elements. On the other hand, an organization cannot attain its entrepreneurial objectives unless it develops connection networks and promote constant reaction between the individuals and therefore, obtain the social capital structure and through creating diversity and understanding of relations secure a creative environment. Groups and organizations will be able to create creative environments, that is, by creating a loop between employees and developing a social network. The more the structural social capital is observed in an organization, the more will entrepreneurship increase among the employees.

Social capital aspects are correlated with each other and this can result in the creation of new business in environments. Trust between organization employees will lead to strong relations and social networks in the organization. And these relations facilitate the accessibility to data sources in the organization and/or the environment [30].

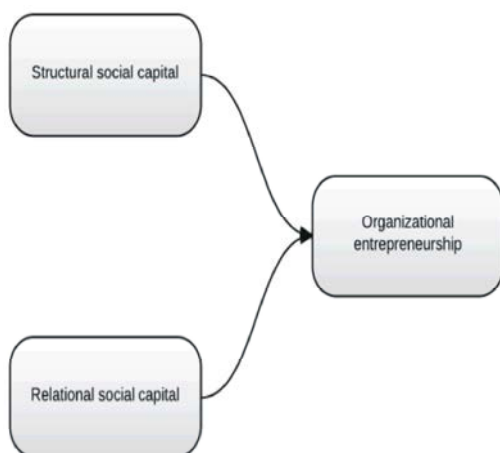


Fig. 1: Conceptual Framework
Research Hypotheses

Main Hypotheses:

- There is a relationship between social capital and organizational entrepreneurship.

Sub-Hypothesis:

- There is a relationship between structural social capital and organizational entrepreneurship in the Sazehgostar Company.
- There is a relationship between relational social capital and organizational entrepreneurship in process of Sazehgostar Company.

Research Methodology: The research is empirical in terms of its purpose and strategically, it follows a descriptive-survey mode of study. In this paper, a questionnaire was designed to obtain the initial data for analysis. The questions were divided into two sections: A) Qualities such as gender, age, marital status, education, etc. have been investigated. B) The second section consists of 40 statements 20 of which concern organizational entrepreneurship and the other 20 concern social capital. The answers range from very high (5) to high (4), average (3), low (2) and very low (1) on the five point Likert scale. The research’s statistical population includes 150 employees and managers of the Sazegostar Company. Given that the research examines organizational research, 70 employees and managers were selected using purposive random sampling. Therefore, the initial sample includes 40 statements which were pre-tested and then, using the SPSS software the reliability coefficient of the data obtained from the questionnaires was calculated using the Cronbach’s alpha:

Table 1: Reliability of the indicators

Aspects	value	Items
Relational social capital	0.78	10
Structural social capital	0.86	10
Innovation in services	0.81	4
Innovation in processes	0.92	4
Self - renovation	0.93	4
Risk taking	0.92	4
Business ventures	0.94	4

Table 2: The Pearson's correlation analysis for the social capital and organizational entrepreneurship dimensions.

Indices	Social capital		Organizational entrepreneurship				
	Cognitive	Structural	Risk taking	Innovation in Processes	Innovation in services	Business	Self-renovation
Cognitive	1						
Structural	0.671 **	1					
Risk taking	0.714**	0.805**	1				
Innovation in Processes	0.611**	0.676**	0.732**	1			
Innovation in services	0.596**	0.697**	0.677**	0.597**	1		
Business	0.610**	0.648**	0.731**	0.693**	0.618**	1	
Self- renovation	0.658**	0.782**	0.792**	0.756**	0.737**	0.851**	1

* Is significant at 0.01%

** Is significant at 0.05%

Table 3: A summary of the multivariate regression model of organizational entrepreneurship

Standard impact factor					
Cognitive	Structural capital	Variable	F	R ²	R
0.31	0.61	Beta coefficient			
0.000	0.000	significance level	133	.73	0.85

In the data analysis section, first the descriptive statistics (frequency, percentage) and next, the inferential statistics involving the Pearson correlation coefficient and regression coefficient were used to examine the research hypotheses.

Data analysis

Demographic Characteristics: With regard to age, 50% are between 35 and 45 and 5% of them are between 25 and 30. 25% are between 46 and 55 and 20% are older than 56. With regard to gender, 70% are men and 30% are women. With respect to work experience, 23% have less than 10 years work experience and 37% have between 10 and 20 and 40% have more than 20 years of work experience.

Correlation Analysis: In table (2), the structural social capital has a positive relationship with innovation in services. In other words the more the social capital increases, the more does innovation increase in services. However, structural social capital does not have a significant effect on the process innovation. Structural social capital significantly affects risk taking and business risk taking. Also, cognitive capital in innovation has a great effect on services. In other words, the more the cognitive social capital increases, the more does innovation increase in services. Of course, cognitive social capital will also significantly affect business risk taking. Thus, the more the cognitive social capital increases, the more the business risk taking does increase. And also, cognitive social capital does not significantly

affect risk taking. Finally, cognitive social capital could affect self-renovation; however, there is a weak relationship between these two variables.

Three Dimension Table: Regression: Hypothesis (general): There is a relationship between social capital aspects and organizational entrepreneurship.

The research concurrently employed the multivariate regression analysis and the *Enter* method. Thus, all independent variables were analyzed simultaneously and effects of all independent variables on the dependent variable were investigated. The linear regression analysis demonstrates independent variables of cognitive capital and structural capital in organizational entrepreneurship.

Table 3 indicates that multiple relation coefficient R is 0.85. This means that the above independent variables were simultaneously related to organizational entrepreneurship, equal to 85%. Determinant R² was 0.73 which means 73% of variable variations of organizational entrepreneurship could be explained by cognitive capital variables and structural capital. In this table, the value of 133(F) also means that one of the independent variables has a meaningful coefficient in the regression equation.

Table 3 indicates that both relational capital and structural capital variables have a meaningful relationship with organizational entrepreneurship. Structural capital has the most effect, as much as 61%, on organizational entrepreneurship.

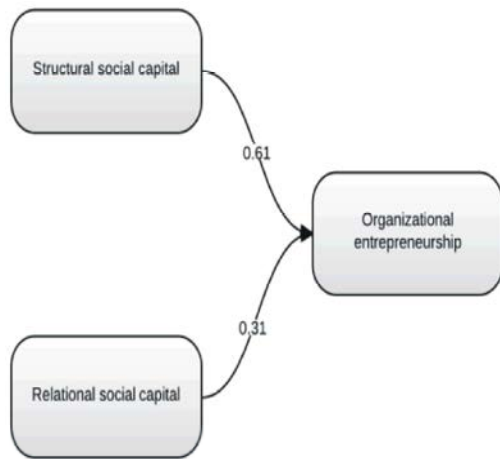


Fig. 2: Final framework for organizational entrepreneurship

CONCLUSION

Nowadays, the need for organizational entrepreneurship is felt in all organizations. They should plan to find ways to integrate it in their systems. Social capital is one of the factors that affect organizational entrepreneurship. Between the relational and structural social capital, structural capital is more important than the other aspects. The companies first should consider the proper structure of the organization in order to increase the entrepreneurship spirit in their organization. Bureaucracy and entrepreneurship are in contrast with each other. Members of an organization should be given necessary independence and their ideas must be encouraged. They should also be provided with access to new and comprehensive resources and information with a proper structural design and the proper structure of organization will lead to creation of networks. Relational and structural social aspects refer to the trusted relations which individuals create in their interactions. Trust leads to robust relations which in turn facilitate information flow. Finally, it should be noted that with regard to the norms, entrepreneurs are usually individuals who view themselves as less likely sharing the same existing mindsets. Thus, they won't restrict themselves to common values, norms and behaviors. So, entrepreneurial organizations should pay special attention to "relational capital" among the three aspects of social capital. According to the present research hypotheses, structural capital significantly influences entrepreneurship. Of course, structural capital has also an effect on business ventures. This illustrates the presence of trust between entrepreneurs and it will lead to business ventures. On the one side, it can be said that structural capital involves managerial structures and procedures like managers and

leaders accountability with respect to their performance, transparency in decision-makings, rate of decisions and initiatives made and taken based on team which are identified with organizational entrepreneurship. And it can be shown that team work leads to development of ideas and innovation in the business and finally it will lead to the preponderance of organizational entrepreneurship. Indeed, companies, today, appreciate more than ever the structural capital's importance and team work in organizations and businesses in addition to knowledge and market capital which are mentioned in the literature.

In organizations which benefit from high social capital, individuals spend less time on protecting themselves against being exploited in the economic interactions and monitoring the partners and interactions and exchange of information on higher levels of trust. In this case, the organizational managers spend more time on developing creativity and ideas and ultimately entrepreneurship in economic activities. Companies that succeed in raising the social capital indexes among their members, in addition to gaining financial benefits for themselves, help with the development of the society in fields of economy. Thus, improvement of social capital and its related factors will lead to the improvement of organizational entrepreneurship and vice versa. And given the extensive growth in communications in the world today, the companies should propose solutions for improving social capital, in order to succeed in reducing financial and non-financial losses.

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