Which Kind of Social Capital Supports the Development of Social Entrepreneurial Intentions?

Irena Kedmenec
Faculty of Organization and Informatics, Varaždin, University of Zagreb, Croatia

Extended Abstract

Entrepreneurship is clearly not only an economic, but also a social phenomenon (Thornton, Ribeiro-Soriano & Urbano, 2011). The studies of entrepreneurship as a social phenomenon mostly examine social capital and social networking. Social capital is defined as the tangible and intangible (identity, reputation, respect for some achievement) resources that support the achievement of individuals' goals through social structures (Portes, 1999). Because of the asymmetry of information between entrepreneurs and those who have the resources (Shane & Venkataraman, 2000), entrepreneurs use their social networks to get support, knowledge and access to distribution channels; reductions in transaction costs associated with formal co-ordination mechanisms like contracts, hierarchies, bureaucratic rules and the like (Fukuyama, 2001); better coordination of activities and the facilitation of collective decision-making (Grootaert & van Bastelaer, 2001).

Social capital may be even more important for social entrepreneurship compared to traditional entrepreneurship. Social entrepreneurship refers to “a process of catering to locally-existing basic needs that are not addressed by traditional organizations. Depending on the need addressed, the process usually involves the provision of goods and services and/or the creation of missing institutions or the reshaping of inadequate ones. However, the main objective is to change or modify the social and/or economic arrangements that create the situation of failure to satisfy basic needs” (Mair, 2010, p. 4). It is a phenomenon that has attracted the attention of researchers for the last 20 years within a variety of domains. However, the need for further contributions to theory and practice in the area of social entrepreneurship is pressing (Austin, Stevenson & Wei-Skillern 2006). We need better understanding of the social entrepreneurship process from its beginning to its end (Lepoutre et al., 2011).

Social capital, defined as a network of relationships and contacts which are tied together by shared values and interests, is vital to social entrepreneurs since they usually have little else to start with (Leadbeater, 1997). Social support, described as the trust and cooperation derived from social networks (Backman & Smith, 2000), facilitates the provision of resources needed to engage in social entrepreneurship (Cho, 2006). Networks are important for social entrepreneurs to acquire market and customer information, to identify opportunities, to introduce possible sources of funding, and to generate local support for their enterprise (Shaw & Carter, 2007).
Although they acknowledge the importance of social capital in their social entrepreneurial intention model, Mair and Noboa (2006) are not precise in the definition of the kind of social networks that would be specifically important for social entrepreneurs compared to commercial entrepreneurs, and that would provide a clear basis for the measurement of the social support concept. Therefore, one of the challenges in our research has been to examine which social networks are especially important for the creation of social entrepreneurial intentions. In the entrepreneurship research, social capital is most often operationalized as being embedded in an entrepreneurial network containing other entrepreneurs. This is a rather scarce operationalization of social capital. In this research we need to include all the influences that flow from an individual’s social environment which might be important for one’s social entrepreneurial intention.

Our research is going to focus on three areas: social sector contacts, business sector contacts and the trust of the local community. Firstly, social entrepreneurs have an acute understanding of social needs (Certo & Miller, 2008), which could be acquired through their contacts with the social sector. Strategic partnerships are crucial in the not-for-profit sector to garner the grassroots support, participation and legitimization of the social mission (Gliedt & Parker, 2007). Social entrepreneurial organizations often connect several groups of professionals: teachers, doctors, social workers, police officers, psychiatrists. These wide and more diverse networks of partners and supporters increase the potential for different ideas and opportunities (Leadbeater, 1997).

Secondly, entrepreneurial discovery is as much about problem finding as problem solving. Thus, a person with more knowledge about the business environment probably has a greater chance of becoming a social entrepreneur. In some cases (Leadbeater, 1997), social entrepreneurs have both business and charity experience.

Thirdly, social entrepreneurship engages the local knowledge and the problem-solving skills of many individuals and organizations in search of innovative solutions (Dees, 2007). Like many commercial entrepreneurs, social entrepreneurs start enterprises in familiar locations and operate within sectors in which they have experience (Shaw & Carter, 2007). Social venturing begins when an individual mobilizes others toward some social goal using her or his social networks (Leadbeater, 1997). Although social capital is important for resource acquisition in commercial entrepreneurship as well, the community is the source of value creation in social ventures (Thompson, 2002). Involvement in the local community is necessary for building the trust and credibility required to encourage the community to support a social entrepreneur (Shaw & Carter, 2007). The trust of the local community is critical to openness and collaboration, and therefore to efficiency (Drayton, 2002).

In the theory of entrepreneurial event, Shapero (Shapero & Sokol, 1982) described intention as the identification of a credible, personally viable opportunity. According to him, entrepreneurial intentions depend on an individual’s perception of the relative credibility of alternative behaviours and some propensity to act. This credibility entails that the behaviour is seen as both desirable and feasible. Propensity to act captures the potential for a credible opportunity to become intent and, thus, action. Propensity to act refers to initiating and maintaining goal-directed behaviours (Krueger & Brazeal, 1994). Thus, “the entrepreneurial event requires the potential to start a business (credibility and pro-
pensity to act) to exist prior to the displacement (along with the disposition to act after being displaced)” (Krueger & Brazeal, 1994, p. 93). The main hypothesis of the research is that people with higher levels of social capital will have higher social entrepreneurial desirability and social entrepreneurial feasibility, and consequently higher social entrepreneurial intention.

We have adopted the quantitative survey method in order to test our hypothesis. Based on the literature review, adequate measurements of social entrepreneurial desirability and feasibility, and social capital were included in our questionnaire. The measurements included contacts in the social sector, contacts in the business sector and the trust of the local community. In order to test the impact of those contacts on the social entrepreneurial desirability and feasibility, we will use factor analysis and regression analysis.

The data was collected on a sample of graduate students majoring in Entrepreneurship in Varaždin and Osijek, Croatia. On average, the students of entrepreneurship have greater entrepreneurial intentions and a better understanding of the differences between commercial and social entrepreneurship compared to the general population. They are familiar with the economic instruments and business organization and are likely to have participated in the programs that teach about social entrepreneurship. Thus, they were chosen as an appropriate sample for this research. The sample consisting of business students has been selected having in mind the implications of this study for the business education curriculum.

We hope to gain a better understanding of the social capital components that influence the desirability and feasibility of social entrepreneurship. The results of this research should be of interest to educators and policy makers. If we want more social entrepreneurs, we must answer the question of which measures might be taken to develop the supporting social capital. Our research will provide relevant results that should facilitate the answer to this question.

**Literature**


