

Social capital – a contingent resource to entrepreneurial activity

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Principal Topic

Entrepreneurship is widely linked to rural development as it is seen as a means to autonomous change in rural production as well as economic growth. In rural communities dominated by agriculture, industry restructuring triggered by national and international policy changes creates a need to reallocate resources into other economic activity. Also, depopulation from rural areas in general, calls for economic growth that can reverse this trend. As a consequence policy makers ask for more entrepreneurial activity and measures that can enhance such activity. In this study a sample of over 800 farm households are surveyed to investigate the relationship between social capital, human capital and entrepreneurial activity. Entrepreneurial activity is defined as the process of starting a new business including the early phase of establishing the baby business in the market.

The growing entrepreneurship literature that develops theory and link social capital to entrepreneurship (Johannisson, 1990; Johannisson & Nilsson, 1989; Peredo & Chrisman, 2006) set focus on a new set of resources that is perceived as important to entrepreneurial activity. Social capital is linked to the concept of networks, but is viewed as more than the sum of relations. Social capital is the flow of benefits that these relations make available to the actors, also beyond the purpose of the relationship (Adler & Kwon, 2002). In turn, social capital may be included in the resource configuration of entrepreneurial opportunities and equal to human and physical capital resources trigger entrepreneurial activity.

On the other hand, much entrepreneurship research has focused on human capital as important to entrepreneurial activity. Entrepreneurs are enterprising individuals that possess the capability to explore and exploit entrepreneurial opportunities. The suggested research question for entrepreneurship regarding why some individuals and not others discover and exploit entrepreneurial opportunities (Shane & Venkataraman, 2000), points at entrepreneurial human capital as a key factor for entrepreneurial activity. Such capital is formal education and training as well as informal entrepreneurial experience and background (Skuras, Meccheri, Moreira, Rosell, & Stathopoulou, 2005). In addition, entrepreneurial individuals are recognized with a mental orientation directed towards a desire for change and newness. However, relatively few people possess sufficient entrepreneurial human capital to engage in entrepreneurial activity. Hence, social capital may be a resource that through networks and collective action can engage more people in entrepreneurial activity. The aim of the study is therefore to find out whether social capital can be associated with increased entrepreneurial activity in farm households, and second how this relationship is influenced by entrepreneurial human capital.

The Schumpeterian entrepreneur is described as one that breaks with general conventions and moves the economy out of equilibrium by the introduction of new means ends relationships (Landström, 2000). In the same way, Schumpeterian rent is gained by going alone and get a head start on competitors. Individuals with great entrepreneurial capability may therefore be less dependent upon social capital, and more reluctant to share new ideas with others. On the contrary, individuals with less entrepreneurial capability may depend and benefit more from access to social capital. Hence, it may be assumed that entrepreneurial human capital has a moderating effect on the relationship between social capital and entrepreneurial activity. Following this assumption we may also be able to catch sight of different pathways to entrepreneurial activity as suited for different groups of individuals. The following research question is therefore investigated in this study: *What is the relationship between entrepreneurial human and social capital, and what is their combined effect on entrepreneurial activity?*

Methodology

To contribute to answer this research question a quantitative cross sectional survey among farm households was conducted in March through May 2006 and returned 847 responses. The sample was drawn from the Norwegian register over farm properties. The sampling frame included approximately 103,000 farm household and was limited to farms with more than 0.5 hectares farm land, and owners between 18 and 67 years who lived on the farm. A random sample of 2700 owners was contacted by telephone in order to recruit respondents to the survey. 1199 accepted to receive the questionnaire while 70.6 percent returned it.

The farm household is taken as the unit of analysis as a household can be described as the relevant decision making body that possess and allocate resources, as well as receive and share information. The farm household context provides a small business environment, partly within the agricultural industry where major changes are proclaimed. Consequently there is a need for more entrepreneurial activity from the farm households' point of view, something which is also wanted from a political point of view.

Entrepreneurial activity within the farm household is operationalized as present attempts to start a new business and/or operating a business started within the last three years. It is hypothesized that entrepreneurial social capital is positively associated with entrepreneurial activity. It is further hypothesized that entrepreneurial human capital has a negative moderating effect on the relationship between social capital and entrepreneurial activity. I.e. if the farm household possesses more entrepreneurial human capital, the assumed positive association between social capital and entrepreneurial activity will be less significant. These hypotheses will be tested using logistic regression analysis.

Implications

An understanding of how social capital and human capital is associated with entrepreneurial activity may be important knowledge to policy makers as a means to design effective political measures. The classic Schumpeterian entrepreneur is a self moving individual that is more concerned about the absence of government regulations in

order to act on market opportunities. This calls for deregulation and a market solution to economic development. Entrepreneurship as a collective action however, calls for more networking activities in order to produce social capital that can work as an engine to entrepreneurial activity.

To practitioners who see the need for change and development of their own business activity it also creates an alternative. Rather than struggle with a single focus on self-development in the direction of more entrepreneurial skills, some practitioners may level their effort towards seeking networks and cooperation. This may give access to social capital and engagement in collective actions as a road to entrepreneurial activity.

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