

IMPACT OF SOCIAL CAPITAL (SC) ON ENTREPRENEURIAL ORIENTATION (EO) AND ENTREPRENEURIAL INTENTION (EI)

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The paper focuses on the impact of social capital on entrepreneurial orientation (EO) and entrepreneurial intentions (EI). Innumerable study of EO and EI, but very few focused on SC impact on both. After studying the relevant literature a self administered questionnaire was prepared comprised of two sections. Requisite information has been gathered from both primary and secondary sources. The sample frame for this study included students who were pursuing their master degree in commerce, economics and management. Appropriate statistical tools namely, descriptive statistics, factor analysis, confirmatory factor analysis, structural equation model have been applied to process and analyze the data which revealed some useful insights related to social capital, entrepreneurial orientation and entrepreneurial intentions. The analysis found that the social capital has positive impact on EO & EI. Entrepreneurial orientation also leads to Entrepreneurial intentions. Future research can explore others predictors of entrepreneurial orientation and intentions.

Keywords: Social Capital, Orientation, Intention, Innovation, Autonomy

INTRODUCTION

Entrepreneurs are the backbone of economy. They are the life moving force behind any economy and a great way to bring about a dynamic change in the economy. Change is the necessity of entrepreneurship and very essential to survive in the global economy. It is also an accepted belief that without entrepreneurial activities the process of development is not possible (Audretsch, 2002). Many governments around the world believe that entrepreneurship is the key factor for economic development. Private, government and public organizations are taking various measures to promote entrepreneurship in different countries. In developing nations the role of entrepreneurship development is more important than in developed countries as a media for creation of self employment opportunities (Mohammed & Aparna, 2011). It focuses not only on industrial sector but on the farm and service sector also. The level of economic development across the countries and even within the country are attributed to their differences in entrepreneurship development (Schumpeter, 1942). Entrepreneurship is a popular subject among of business students as well as among management scholars and researchers. The liberalization of economy, consequential increase in market and the role of manager have caught up the intension of the youth. To develop and nurture the potential entrepreneur during their university years is very essential. In under developed countries the youth are well qualified and have the ability to do a job but opportunity is not available due to unemployment (Shastri et al., 2009). It is the major factor that motivates them to establish their own new venture. They are getting directed towards entrepreneurship and intend to take initiative steps to start new ventures. These entrepreneurial skills are developed through entrepreneurship education that assists the young peoples to develop attitudes, planning about venture, personality and information of financial institution. They easily seek the business information through their mentor. Mentoring can encourage management students to undertake entrepreneurial activities (Anderson & Jack, 2008).

To encourage young students means to create employers instead of employees. It is being increasingly realised that today's managers and businessmen need not only managerial skills but entrepreneurial skills too. These entrepreneurial skills are developed through entrepreneurship programmes and create a potential to be self employed by starting new business as compared to a general degree. The level of entrepreneurial orientation varies as per entrepreneurship education, family background, perception, attitudes and affective environment. Entrepreneurs are the individuals who are the products of social environment. They are also a part of society. It means that the presence or absence of social links and communications will affect the nature of business (Chen et al., 2007). Through social contact an individual acquires economic resources. These resources are derived from social relationship and networks (Florin et al., 2003), which is a part of social capital. Social capital is a collection of norms, confidence and networks that causes the relationship and best participation of members of a society and at the end support mutual benefits (Putnam, 1993). It can provide a venture with the ability to attain, sustain and even enhance its competitive advantages. The richer a venture's social capital is the more competent is its top manager. Thus, identifying conditions under which a particular relationship enhances or constrains entrepreneurial behavior and performance is very important (Lee et al., 2001).

CONCEPTUAL ANALYSIS OF SOCIAL CAPITAL (SC), ENTREPRENEURIAL ORIENTATION (EO) AND ENTREPRENEURIAL INTENTION (EI)

Social capital (SC) is made up of the relationships, formal or informal, generated by individuals in their interaction with other individuals trying to obtain an expected reward in the market. Social capital could be defined as capital captured in the form of social relationships (Lin, 2003). The concept of social capital has become increasingly popular in a wide range of social disciplines. Social capital like other forms of capital is productive and it provides the opportunity to access to certain goals, which are unattainable. Absence of social capital will make economic development uneven and difficult (Darvish, 2011). Social Capital creates value that is vital for effective functioning of communities and societies. The central proposition in the social capital literature is that networks of relationship constitute, or lead to resources that can be used for the welfare at individual or the collective level. First, at the individual level, social capital has been defined as the resources embedded in ones relationships with others (Burt, 1992). At the organisational level social capital has been conceptualised as the value to an organisation in terms of the relationships framed by its member for the purpose of engaging in collective action. Third the role of social capital has also been examined at macro level in terms of its impact on the well being of regions or societies (Bouedieu, 1986; Coleman, 1990; Putnam, 1993a, b). It can be observed as the network that connects business and facilitates business to perform well and to achieve competitive advantages (Batjargal, 2003; Benson, 1998; Florin et al., 2003). It is the networks of social relations characterized by norms of trust and reciprocity (Stone, 2000) that enables group of people to live and work together successfully. Putnam (1993, 2000) conceptualised the features of social organizations', such as network structures, norms and trust that facilitate coordination and cooperation for mutual benefit within the society. Social capital is bonding and bridging. The former may be more inward looking and have a tendency to reinforce exclusive identities and homogeneous groups. The latter may be more outward looking and encompasses people across different social divides.

Entrepreneurial orientation has emerged as an important construct within the strategic management and entrepreneurship literatures over the past two decades, which is closely linked to strategic management and the strategic decision making process (Covin & Slevin, 1991; Birkinshaw, 1997). It can be an important measure of how a firm is organised to discover and exploit market opportunities (Ireland et al., 2003). It is the spirit of creating new business out of an on going practices and rejuvenating stagnant companies, which is often accomplished through the introduction of breakthrough innovation, taking risks by trying out new and uncertain product and services and to be more proactive than its competitors in seeking out new market place opportunities (Miller, 1983). It is the capabilities of a person to undertake entrepreneurial process. It involves the activities in which entrepreneur undertakes the methods, practices and decision making styles to act entrepreneurially. Generally, it is the extent to which a person innovates, takes risk and acts proactively. Entrepreneurial orientation framework is expanded by adding the dimension of autonomy and to gain competitive advantages. It is considered as one of the important factors that put efforts towards the opportunities that lead to radical innovation and change. Entrepreneurial orientation is the set of personal psychological traits, values, attributes and attitudes strongly associated with a motivation to engage in entrepreneurial activities. Recognition of opportunities is very important for entrepreneurial success and ability to act upon revealed opportunities (Alvarez & Barney, 2007; Barney, 1995). Hult and Ketchen (2001) stated that entrepreneurial orientation is a firm's propensity to engage in the pursuit of new market opportunities and the renewal of existing areas of operation.

Aloulou and Fayolle (2005) opined that entrepreneurial orientation is a form of strategic orientation in which entrepreneurship becomes the dominant logic. They viewed that entrepreneurial orientation is an outcome of two dimensions, viz., the internal environment and the external environment. The internal environment consists of various characteristics such as the organization's structure, its managerial competencies, its resource configurations and the mission strategy. The external environment looks at characteristics such as dynamism and heterogeneity. The firm identifies its orientation towards risk taking, innovativeness and proactiveness on the basis of how opportunities are perceived and resources are deployed.

Entrepreneurial intentions are the intent of an individual to start new business. It is a reliable predictor or measure of entrepreneurial behavior and entrepreneurial activities. It depicts the state of mind which directs and guides the actions of the individual towards the development and the implementation of new business concepts. It can be viewed as the intension of a person to perform new venture creation behavior or action (Kruegar et al., 2000; Bird, 1988; Grundsten, 2004). Katz and Gartner (1988) defined entrepreneurial intention as the search for the information that can be used to help the goal of venture creation. The formation of entrepreneurial intentions by the individual depends on the perceived desirability and the perceived feasibility of the entrepreneurial behavior (Kruegar & Brazeal, 1994). Perceived desirability of an action depends upon the individual's attitude towards the outcomes of that action in entrepreneurial action. The intention to behave has been examined from three main view points, which focus respectively on the individual human capital, individual cognitions and motivations and perceived self efficacy. According to Luthje and Franke (2003) environmental factors can also facilitate entrepreneurial activities and play an important role in the formation of individual's intentions to create new venture. Affective environmental factors would have greater impact on person's decision to opt for self employment. Family members in business may serve as the role model to be imitated by would be an entrepreneur. Apart from the family and other Aquitaine, society plays an important role that can promote or undermine a person's entrepreneurial intentions.

Another affective factor is social norms that represent the attitudes of fellowmen towards entrepreneurship. Positive attitudes of the surrounding community concerned with entrepreneurship are likely to promote ones desire to engage in entrepreneurial activities (Rajman, 2001; Grundsten, 2004; Matthews & Moser, 1996). It is an indicator of perceived desirability which depicts the person who finds the prospect to start a business.

Pre Testing

After studying the relevant literature a self administered questionnaire was prepared. It comprised of two sections. The first section included the demographic aspects. These demographic factors are associated with entrepreneurship in the literature. For this purpose the demographic profiles of the students have been identified according to the age, level of education, gender, family Business, institution. The second part included items pertaining to entrepreneurial orientation, social capital, Entrepreneurial intension. Before the final questionnaire a pilot study was conducted on a small sample of 50 respondents from the total population. Factor analysis has been applied to purify the scale. Some of the items were deleted. In entrepreneurial orientation three items from innovation, one from risk taking, four from autonomy, four from proactivity, three from enthusiasm, three from competitive aggressiveness and two from opportunity recognition. In social capital construct two from trust, seven from norms of civic behavior, eight from relationship quality, five from social interaction and two from external network. In entrepreneurial intentions four statements deleted. The statements were deleted in all the three constructs due to low factor loadings. Initially the questionnaire consisted of 127 statements, which were reduced to 79 after pilot study. Then minor revisions were made to improve its readability and format.

Data Collection

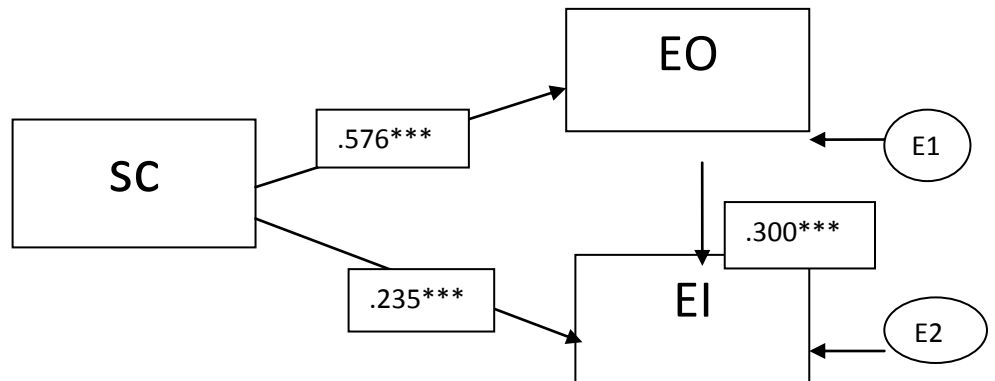
The sample frame for this study included students who were pursuing their Masters degree in commerce, economics and management from government and non government institutions of Jammu districts. There are six institutes in Jammu, which provide business educations to the students. The total list of enrolled candidates was obtained from each institution. The data have been collected from third semester students only. Census method has been applied for the data collection. The total population consisted of 313 students out of which 205 responded, yielding a response rate of 65%. The detail of the college and students is as under:

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SEM is a multivariate model that seeks to explain the relationships among multi variables. It examined the structure of interrelationships expressed in a series of equation, similar to a series of multiple regression equations. These equations depict all the relationships among different constructs (dependent and independent variables) involved in the analysis. It is also known as covariance structure.

In these study two models has been designed to see the empirical relation. This model was tested through AMOS. Path between constructs represent individual hypothesis. In order to test hypothesis models have been designed. It pertains to find the impact of social capital on entrepreneurial orientation and entrepreneurial intentions. The model yielded a chi square/df below 5 (3.7, $P < 0.001$). The various goodness of fit indices suggested a very good fit. All the values are within the acceptable limit (GFI=0.991, AGFI =0.956, CFI =0.989, NFI= 0.976, RMR= 0.021, RMSEA = 0.063

Figure-3: Impact of social capital on Entrepreneurial orientation and Intention



Sources: Data Analysis

Key : SC=Social capital, EO=Entrepreneurial orientation , EI=Entrepreneurial intentions, E 1& E2 are error

terms, ***significant at $p=0.001$ level, *significant at $p = 0.05$ level.

Path Wise Explanations.

1. Impact of Social Capital on Entrepreneurial Orientation

Social capital has significant effect on entrepreneurial orientation (SRW=0.576, $p<0.001$) that support the previous studies which indicated higher level of social capital leads to acquisition of resources and economic opportunities (Lee et al., 2001). It could be seen as the facilitator that allow firm to generate more value from social capital. The networks are the major contributor in their entrepreneurial orientation because these enhance their entrepreneurial capability. Social interaction can also help firms to bring information, resources that support entrepreneurial orientation (Puhakka, 2006). Information sharing results in creative thinking that leads to innovation, which is an important component of entrepreneurial orientation (Dakhli & Clercq, 2004).

2. Impact of Social Capital on Entrepreneurial Intentions.

Social capital exerts significant influence on entrepreneurial intentions (SRW=.235, $p<0.001$). It supports the previous study that the cognitive social capital shapes the cognitive process of potential entrepreneurs. It influences the perceptions towards start up venture (de carolis & Saporita, 2006).

3. Impact of Entrepreneurial Orientation on Entrepreneurial Intentions

The path traced from entrepreneurial orientation and intention has been found significant (SRW=0.300, $p<0.001$). It proved that entrepreneurial capability of the persons have greater impact on their intention. Those who are more innovative, proactive, risk taker have more intention to start ventures (Shepherd and Douglas 1997). Entrepreneurial orientation is the general attitudes which predicts the entrepreneurial intentions and this result is line with earlier research by Kobulnicky (2004)

CONCLUSION AND SUGGESTION

To promote the entrepreneurial intention of business students. The concerned department should invite alumni functions of ex-students who have set up their own enterprise to interact with these students and share their experiences with them. Such an interaction can encourage them towards business. The family members especially, parents should have frequent discussion with their children. They should spend quality time with them, so that the children open up with them and discuss their problem with them. There should be continuous interactions between entrepreneurship promoting agencies like JKEDI and ITCO to aware the business student’s available entrepreneurial opportunities and incentive for setting up new venture. The teachers/mentors should try to give more exposure to students about different kinds of external networks/forums where they can exchange ideas, help to solve problems and get knowledge about setting up a new venture. This study has provided some useful insights related to social capital, entrepreneurial orientation and entrepreneurial intentions. This study was conducted among business students of Jammu district. The research framework for the present study relied on dimension of entrepreneurial orientation namely innovation, risk taking, proactivity, autonomy competitive aggressiveness opportunity recognition and enthusiasm. Social capital has been studied from perspect of social interaction, trust, external network, relationship quality and norms of civic behavior. The empirical analysis revealed the impact of social capital on entrepreneurial orientation and entrepreneurial intentions

Future Research

- Comparison of Business and non business students’ entrepreneurial orientation and intentions.
- Same study can be conducted in business set up.
- Detailed dimension-wise study of entrepreneurial intentions
- Other predictors of Entrepreneurial Orientation and Entrepreneurial Intention viz., personality factors, mentoring, can be explored

Table-6: Results of SEM

Criterion	
Chi/df	3.7/3
GFI	.991
AGFI	.956
CFI	.989
NFI	.976
RMR	.021
RMSEA	.063

Sources: Data Analysis

Table-7: Discriminant Validity

Construct	Entrepreneurial Orientation	Entrepreneurial Intention	Social Capital
Entrepreneurial Orientation	0.62		
Entrepreneurial Intention	0.43	0.66	
Social Capital	0.47	0.50	0.67

Note: Diagonal axes show the AVE and the values below the diagonal axes are squared correlations between the constructs

Sources: Data Analysis

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