

# The Effect of Relational Social Capital (RSC) and Its Dimensions on Entrepreneurship

<sup>1</sup>Hossein Sarboluki Arani, <sup>2</sup>Majid Hassan Finizadeh Bidgoli

<sup>1</sup>Department of Management, Naragh Branch, Islamic Azad University, Naragh, Iran

<sup>2</sup>Department of Management, Naragh Branch, Islamic Azad University, Naragh, Iran

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## Abstract

The aim of the present study is to examine the effect of RSC and its dimensions on entrepreneurship. Research method is descriptive-applied of correlation type, and in terms of method, it is descriptive of survey type. Library resources and the Internet were used to collect data related to theoretical basics and to extract the the basic indices. Standard questionnaire of social capital by Nahapiet and Ghoshal, and corporate entrepreneurship questionnaire by Anthonique and Hisrich were used to collect the data needed to test the hypotheses, and their validity and reliability were approved. The present study was conducted in 2015 in the intended organization with 120 staff where according to Cochran's formula sample was 92 and 99 complete questionnaires were returned and the population was selected. In order to confirm the reliability, Cronbach's alpha has been whose value for RSC is 0.906 and for corporate entrepreneurship (CE) is 0.909. To test the hypotheses, descriptive tests and multivariate regression analysis were used with the help of SPSS19, and for confirmatory factor analysis, smartpls 3 was utilized. Findings of the study suggest that RSC and its dimensions have a significant effect on CE at 95 percent level of confidence i.e., RSC improves CE.

**Keywords:** RSC, CE, Trust, Mutual understanding, Commitment.

## 1. Introduction

RSC is a complex, multi-faceted, interdisciplinary concept and one of the dimensions of RSC that has attracted the attention of many scholars. RSC is often considered as a network of values and norms.

Along with other important concepts in the social system, today, social capital is considered as one of the most important indicators. RSC is a prerequisite for growth and development of society, comprehensive development, establishing warm relations, expansion of social solidarity, development of social participation, and mutual trust (person-society-government).

RSC is the resource in social interaction and purposeful cooperation and collaboration between community members that creates a network of reasonable relationships, sense of trust and cooperation between individuals in a society, and ultimately helps society to access the common purpose, maintain community, and solidarity.

RSC reveals the fundamental importance of strong networks and relations based on trust and cooperation in the

communities. Nahapiet and Ghoshal define social capital as the sum of actual and potential resources contained within, available through, and derived from the network of relations of an individual or a social unit.

Social capital has entered organizational studies with fertile ground it has had in social issues in the field of organization and management. In recent years, the importance of social capital has been of interest to those active in organization and management issues as an intangible asset of the enterprise. Most investigators dealing with this issue and the quantitative evidence show the undeniable role of social capital in the success of those organizations that want to continue to exist in today's rapidly changing environment. In addition, one of the most important organizational capabilities that can help organizations, compared to other organizations, to create sustainable corporate benefits is RSC.

Among the important elements of RSC is trust and participation of people. Public trust in each other, public trust in government and the institutions of society, trust of these institutions in each other, and government and the institutions trust in public form various aspects of social trust. On the other hand, honesty, sincerity, faithfulness, fairness and justice are confidence building values. Free civil activity, unblocked path, formation of institutions independent of power, and the lack of massive government are stimulus strengthening public participation.

In general, it can be said that RSC is a capacity, social capability, or an unofficial norm that promotes cooperation between individuals and institutions of a society. To achieve its goals, any social network, in addition to knowledgeable and experienced people and material facilities and means, needs factors such as trust, cooperation and mutual understanding, commitment, and accountability, and so on, which are RSC.

Some scholars believe that the root of many disorganizations and anomalies is in the lack of social capital. Moreover, some scholars believe that social capital on the one hand, improves the lives of individuals and on the other hand, leads to increase in the accumulation of human capital, financial development, increase of innovation, and efficiency of the governments.

Thus, social capital plays an important role both in improving the lives of individuals and in the development of societies, and since one of the major institutions in the development of societies is Education System, which has a dignity the same as other major institutions of society, determining the status of social capital of this institution, especially its relational dimension is of great importance. In addition, determining the social capital of teachers and examining the functions of this type of capital for teachers are essential. The importance of the issue is there that it clarifies the RSC of an institution that is one of the institutions that creates, enhances, and transfers social capital. To what extent has it discovered the importance of its RSC? To what extent has it used its RSC? Moreover, to what extent has it given importance to the impact of trust, cooperation and mutual understanding, commitment, and accountability on CE?

## 2. Hypotheses

**The Main Hypothesis:** the dimensions of RSC have a significant impact on CE.

### **Sub-Hypotheses:**

Sub-hypothesis 1: Trust has a significant impact on CE.

Sub-hypothesis 2: cooperation and mutual understanding have a significant impact on CE.

Sub-hypothesis 3: Commitment and responsibility have a significant impact on entrepreneurship. Given the

importance of RSC in contemporary life and its expansion to various areas of social life, in this research, we are intended to examine the effect of RSC on CE. In other words, our aim in this study is to investigate the extent of effect of RSC on CE?

### **2.1. Research Topic and Location Areas**

Theoretical realm of research is examining the effect of social capital on CE in the intended organization. In each study, studying limit basically determines the borders, margins, and research range to specify the extent and scope of the study. In humanities research, determining the limits of time and space is important. The spatial area of the study is the intended organization and timeframe is 2015.

### **2.2. Research History**

In a study, Qelichli and Moshabaki (2008) examined the role of social capital in the creation of intellectual capital in Iranian two car companies and described the current status of intellectual capital and social capital and the interactions between them in two car companies. Overall, the survey results also show that social capital has a significant positive effect on the intellectual capital as a whole as well as each of its elements including human capital, RSC, and structural capital in two companies studied. The results of the study by Moharramzadeh et al. showed that the relationship between social capital and CE is significant and positive. Thus, increase in RSC through building trust, enhancing the relations between people, teamwork, participation, and so on can enhance and increase CE and lead to creativity, innovation, self-renewal, risk-taking, leadership, and competitiveness in the organization.

In examining electronics companies, Abili et al. (2010) found that social exchanges and trust have a significant impact on value creation and innovation in services through interaction between units. In the famous study by March and Simon (1985) on organizations, it was noted that even if administrators act authoritarian, hierarchy of the company is very inflexible, and if tasks are done well, employees will be able, in different ways, such as delay in complying with orders and very generally, the commission of opportunistic behavior, affect the performance. Many studies show that if human interaction of the labor force is very comfortable based on trust, the staff is more likely to do their best, and it is more likely that by monitoring, people reduce slacking duties.

“Examining the impact of social capital on quality of working life” is a study that Ruslan et al. (2010) have conducted in Malaysia. The researchers have used stepwise regression to examine the hypothesis and have concluded that all components of social capital have a positive and significant effect on quality of work life. They gave recommendations to improve these two variables.

### **3. Data Analysis**

According to the measurement level of variables and hypotheses, to describe data, descriptive statistics such as mean, standard deviation and frequency distribution tables have been used, and for data analysis and testing the hypotheses, Pearson correlation and multivariate regression have been used.

### 3.1. Descriptive Statistics

In the first part of the questionnaire, respondents were asked to provide demographic information such as gender, age, education, and work experience for the researchers. In this section, the results obtained from the questionnaires received from the entities are presented in Table 1.

Table 1. Descriptive statistics of the respondents

	Education	Freq uenc y	Perc ent	Sam ples perc ent	The cum ulative frequ ency
Samp le	Diploma	8	8.1	8.1	8.1
	Associate Degree	9	9.1	9.1	17.2
	Bachelor	45	45.5	45.5	62.6
	MA	37	37.4	37.4	100.0
	Total	99	100.0	100.0	

  

	Sex	absol ute freq uenc y	The relati ve freq uenc y	The perc ent of relati ve freq uenc y	Cumulati ve relative frequenc y percent
Samp le	Men	71	71.7	71.7	71.7
	Wome n	28	28.3	28.3	100.0
	Total	99	100.0	100.0	

  

	Age	Freq uenc y	Perc ent	Sam ples perc ent	The cum ulative frequ ency
sampl e	20-30	11	11.1	11.1	11.1
	31-40	40	40.4	40.4	51.5
	41-50	47	47.5	47.5	99.0
	+51	1	1.0	1.0	100.0
	Total	99	100.0	100.0	

  

	History	Freq uenc y	Perc ent	Sam ples perc ent	The cum ulative frequ ency
sample	1-5	8	8.1	8.1	8.1
	6-10	11	11.1	11.1	19.2
	11-20	30	30.3	30.3	49.5
	21-30	50	50.5	50.5	100.0
	Total	99	100.0	100.0	

### 3.2. Statistical Specifications of Variables

In Table 2, we see statistical specifications including mean, standard deviation, variance, range of changes of the variables.

Table 2. Results of statistical specifications of the variables

	Trust	Mutual understanding	Commitment	RSC	CE
Mean	3.3051	3.2115	3.0875	3.2277	3.2322
SD The standard deviation	0.08124	0.08946	0.07515	0.05984	0.05467
Variance	0.653	0.792	0.559	0.355	0.296
Variation range	3.2000	3.2500	3.0000	3.2333	3.2500

### 3.3. Normality Test (Kolmogorov - Smirnov) for the Effective Communication

H1: Data is normal (data comes from a normal population)

H0: Data is not normal (data does not comes from a normal population)

According to the table, as the significance level (Sig) is more than the error ( $\alpha$ ), thus H1 is confirmed and data is normal.

Table 3. Results of normality test (Kolmogorov - Smirnov)

Variable	Sig (significance)	a (the error)	Test result
The dimension of RSC	0.351	0.05	The data is normal
Trust	0.504	0.05	The data is normal
Mutual understanding	0.06	0.05	The data is normalized.
Commitment	0.966	0.05	The data is normal
Entrepreneurship	0.746	0.05	The data is normal

As seen in Table 3, all variables are normal, so parametric methods (Pearson correlation) can be used. In other words, there is no reason to refute this hypothesis, and it should be acknowledged that the relational dimension of social capital has a significant relationship with OE (0.800) there.

### 3.4. Reliability (internal consistency) of Each of The Items

For confirmatory factor analysis, only factor loadings are important that are plotted on the path between each of the latent variables and questions related to them, and they are used for the adequacy of each question. The strength of the relationship between factors (latent variables) and visible variable is shown by factor loading.

Factor loading is a value between zero and one. If the factor loading is less than 0.3, the relationship is weak and ignored. Factor loading between 0.3 and 0.6 is acceptable, and if it is greater than 0.7, it is very desirable.

According to Table 4, we see that the factor loadings related to the majority of the items is very desirable, and for a few items, it is between 0.6 and 0.7, so we have kept these items in the model.

Moreover, to determine the necessary accuracy of each item or question for its construct, we use t-statistic index. If t-statistics related to each item is higher than 1.96, then it is an indicator of accuracy required for its latent variable. According to Table, Error! No text of specified style in document we see that the questions are accurate enough to measure their latent variable.

Table 4. Factor loadings and a significance factor related to the items (questionnaire items)

Latent variable	CE questionnaire	Factor loadings	Significance of T	RSC questionnaire	Factor loadings	Significance of T	Latent variable	
Innovation in Services	k1	0.742	8.282	s1	0.579	8.783	Trust	The relational dimension
	k2	0.726	10.012	s2	0.791	11.581		
	k3	0.802	9.171	s3	0.829	11.343		
	k4	0.789	10.869	s4	0.715	10.308		
	k5	0.744	9.287	s5	0.489	3.788		
	k6	0.802	9.785	S6	0.863	13.803		
Trailblazer	k7	0.626	4.561	S7	0.880	13.850	Mutual understanding	The relational dimension
	k8	0.833	12.720	S8	0.885	14.467		
	k9	0.866	12.745	S9	0.884	12.756		
	k10	0.768	12.622	S10	0.873	13.796	Commitment	The relational dimension
	k11	0.674	5.790	S11	0.878	16.932		
	k12	0.805	12.968	S12	0.889	14.383		
Risk taking	k13	0.610	10.043	S13	0.851	12.344	Aggressive	CE
	k14	0.813	12.584	k21	0.883	19.419		
	k15	0.851	13.275	k22	0.832	26.168		
	k16	0.690	13.657	k23	0.810	10.811		
	k17	0.771	3.184	k24	0.868	14.153	New services	
	k18	0.697	0.556	k25	0.854	13.051		
Commitment	k19	0.860	4.251					
New services	k20	0.858	3.366					

### 3.5. Measuring the quality of measurement model and cross-validation index (Cv-com)

Measurement model is a model that reveals the relationship between latent variables with observed ones. To fit

this model, cross-validation index (Cv-com) to assess the size of a block model "latent variable" is used. If the coefficient is positive, it indicates that the measuring model has good quality. SSO shows sum of squares of observations for each block of latent variable, SSE sum of squared errors of prediction for each block of latent variable, and SSO/SSE shows Cv-com index. As is seen, in Table 6, based on this criterion, positive values, our model is appropriate, and it can be concluded that the measuring model has appropriate quality.

Table 5. Cv-com index

	SSO	SSE	(1-SSE/SSO)
Trust	495.000	324.168	0.345
Commitment	396.000	263.269	0.335
New services	297.000	215.828	0.273
Self-renewal	396.000	365.023	0.078
Aggressive competition	198.000	96.248	0.514
Risk taking	396.000	228.213	0.424
Mutual understanding	396.000	269.655	0.319
Innovation in Services	594.000	401.300	0.324
Trailblazer	594.000	392.880	0.339
CE	594.000	347.564	0.415
The relational dimension of social capital	297.000	297.000	0

### 3.6. Testing the Hypotheses

#### 3.6.1. Multivariate Regression Analysis

To use linear regression, there is a need for normality of the data. Since the data of the intended variables is in normal status, so we are allowed to use regression for data.

In Table 6, variables of RSC and its dimensions (trust, mutual understanding and commitment) as the independent variable entered the regression model to predict the dependent variable CE using simultaneous approach.

Table 6. Table of regression Durbin-Watson

Model Summary						
Model of testing the hypotheses	R correlation coefficient	The square of the correlation coefficient	Adjusted coefficient	The standard deviation error estimates	Durbin Watson	Test result
Relational-entrepreneurship	0.800 <sup>a</sup>	0.640	0.637	0.32784	1.976	Hypothesis confirmed
Trust-Entrepreneurship	0.480 <sup>a</sup>	0.230	0.222	0.47968	1.513	Hypothesis confirmed
Mutual understanding-	0.587 <sup>a</sup>	0.345	0.338	0.44254	1.834	Hypothesis

entrepreneurship						confirmed
Commitment-entrepreneurship	0.833 <sup>a</sup>	0.693	0.690	0.30271	2.003	Hypothesis confirmed

According to Table 6, Durbin-Watson is 1.967, 1.513, 1.834 and 2.003, so the assumption of no correlation between errors is not rejected, and regression can be used. According to correlation coefficient in table, correlation between independent and dependent variables is good and very good. Moreover, considering the square of the correlation coefficient, independent variables of relational dimension of social capital and commitment play a greater role in explaining the variance of the dependent variable. In other words, the model can fit the data to a good extent. In the table above, adjustment coefficient equals to 0.637, 0.222, 0.338, and 0.690, which shows that independent variables of relational dimension of RSC, trust, mutual understanding, and commitment explain 7.63, 2.22, 8.33 and 0.69 percent of the dependent variable CE.

### 3.6.2. Regression Analysis

Table 7 contains a regression analysis to evaluate the certainty of a linear relationship between two variables. Here, as significance is less than 0.05, the assumption of the linear relationship between two variables is confirmed. F value indicates whether the regression model is appropriate or not. According to the table above, F values that are equal to 172.575, 29.005, 51.046 and 219.404, at the level of error less than 5%, are significant. This means that independent variables have high explanatory power and are capable of explaining the variance in the dependent variable.

Table 7. ANOVA Table (regression analysis)

Variance analysis						
Model		Sum of squares	Degrees of freedom	Mean Square	Fisher's F statistic	Significance level
The relational dimension of RSC - Entrepreneurship	Regressi on	18.568	1	18.568	172.757	.000 <sup>a</sup>
	Residual	10.425	97	0.107		
	Total	28.993	98			
Model		Sum of squares	Degrees of freedom	Mean Square	Fisher's F statistic	Significance level
Trust- Entrepreneurship	Regressi on	6.674	1	6.674	29.005	0.000 <sup>a</sup>
	Residual	22.319	97	0.230		
	Total	28.993	98			
Model		Sum of squares	Degrees of freedom	Mean Square	Fisher's F statistic	Significance level
Mutual understanding	Regressi on	9.997	1	9.997	51.046	0.000 <sup>a</sup>



- Entrepreneurship	on					
	Residual	18.996	97	0.196		
	Total	28.993	98			
Model		Sum of squares	Degrees of freedom	Mean Square	Fisher's F statistic	Significance level
Commitment - entrepreneurship	Regressi on	20.105	1	20.105	219.404	0.000 <sup>a</sup>
	Residual	8.888	97	0.092		
	Total	28.993	98			

#### 4. Conclusion

The aim of this study is to introduce entrepreneurship that has been identified as a key factor for growth and economic development. Many of the countries develop entrepreneurial culture with the development of training programs. Economic situation of the country and young demographic composition today make us find leading areas in the economic arena more than ever. In this regard, the necessity of having proper models and strategies for education, training, and optimal use of entrepreneurial force becomes more. In this paper, we assume that RSC and its dimensions (trust, mutual understanding and commitment) have a significant effect on CE. The result of field research is the results of its data analysis that could have a major role in the advancement of science. According to collected data, hypothesis testing results is as researcher expected and hypotheses were confirmed. Organizations where mutual understanding, trust, and commitment are high people spend little time for protection and support in order not to be exploited in cooperation and supervision of the wrong acts of partners, and the exchange of information takes place with high confidence level and makes the person spend a lot of time for thinking, creativity, innovation, and entrepreneurship at the end. The results of the study are consistent with the findings of research by Miller (1987), Nahapiet and Ghoshal (1998), Gholipour e al. (2008) and Moharramzadeh et al. (2010).

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