

Chapter 4

Social Capital and Micro-Entrepreneurship

ABSTRACT

Social capital has been proven in many studies to correlate with economic development and increment in standards of living in a collective manner. This chapter presents a brief description regarding social capital and micro-enterprises that narrowly focuses on the relationship between social capital theory and entrepreneurship. The chapter further portrays the varied dimensions of social capital followed by the status of social capital from the Malaysian perspective. Finally, the chapter ends with a discussion on the effect of social capital on competitive advantage, which has been presumed to be the most important aspect for micro-enterprises.

SOCIAL CAPITAL

In the arena of entrepreneurship, business networks and correlations between firms go beyond the normal and ordinary customer–supplier relationship (Drakopoulou-Dodd, Jack, & Anderson, 2006). In fact, it has been proven time and again that the entrepreneurial process is closely knitted in social networks due to its crucial role (Hoang & Antoncic, 2003). Moreover, networks appear essential to entrepreneurs mainly because they facilitate tasks, such as resource assembling and opportunity seeking.

Apart from that, specific entrepreneurial networks offer the advantage of gaining access to resources markets, knowledge, and technologies (Inkpen &

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Tsang, 2005; Mustafa and Chen, 2010), which are highly essential to every entrepreneur. For instance, Anderson, Dodd, and Jack (2010) discovered that the networks function as a strategic alliance that contributes to creation and growth of enterprises, aside from promoting improvement among entrepreneurs.

Social capital is classified as tangible or virtual resources that one receives via association with networks (Greve and Salaff, 2003). Social Capital is also defined as Grootaert, Narayan, Jones, & Woolcock, (2004) 'the groups, networks, norms, and trust that people have available to them for productive purposes'. Meanwhile, Bourdieu (1986) defines social capital as 'the aggregate of the actual or potential resources that are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – or in precise, to membership in a group – to offer its members with the backing of collectively-owned capital, and a 'credential' that entitles them to credit in the various senses of the word.'

Putnam, Leonardi, & Nanetti, (1993) defined social capital as '*features of social organizations, such as trust, norms, and networks that can improve the efficiency of a society by facilitating coordinated actions*'. On the other hand, Coleman (1988) asserted that social capital is defined by its function. He further elaborated that social capital is a combination of various entities with two common elements, including certain elements of structure that facilitate actions of an individual or a group of corporate actors.

In addition, Bourdieu (1986), Coleman (1988), and Putnam, Leonardi, & Nanetti, (1993) categorized the aspect of social capital into varied levels of applications and elements. Bourdieu (1986) looks at the individual and organization levels to comprise of elements, such as network, institutionalized relationship, participation in group, durable obligations, multiplier effect, differential access to resources, as well as volume and quality of contacts. Meanwhile, Coleman (1988) views social capital from the individual, the organizational, and the community levels. He claimed that social structure, social relationships, appropriability, embeddedness, trust, obligations and expectations, norms and sanctions, responsibility and authority, closure, collective good, by-product, and context specificity are significant elements to social capital. On the other hand, Putnam et al., (1993) associated individual, organization, community, and region as social capital application levels. He embedded trust, norms and reciprocity, network of civic engagement, horizontal and vertical networks, embeddedness, bridging and bonding, self-reinforcing and cumulative, public good, under supplied, and supply increases with use into the notion of social capital.

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