

Social Capital and Entrepreneurship: Building a National Entrepreneurial Capacity for Sustainable Development

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Abstract. The present case study explores entrepreneurial business sustainability from the perspective of a government-linked agency, charged with intensifying the proportion of *Bumiputera* entrepreneurs in the Malaysian economy and fostering an entrepreneurial culture that aligns with Malaysian society. Based upon a case study of *Perbadanan Usahawan Nasional Berhad (PUNB)*, this paper proposes a causal network model in an attempt to describe and explain the linkages between social capital, knowledge and entrepreneurial capacity development, and business sustainability. *PUNB* promotes the development of knowledge and entrepreneurial skills in nascent entrepreneurs and their ventures; encourages the formation of conducive entrepreneurial settings for entrepreneurs, and cultivates positive business views and progressive qualities in *Bumiputera* entrepreneurs.

Keywords: social capital, knowledge & entrepreneurial capacity, national entrepreneurship development

1. Introduction

This case study examines social capital from the perspective of a national entrepreneurship development centre. Considering that one role of the Malaysian government is to develop long-term competitiveness of entrepreneurial firms at a national level, social capital is recognized as providing a platform for connectedness among entrepreneurs within related business sectors. Social capital is not only a platform for business dealings, but also includes elements of collective motivation, communal learning, and ways to reshape business culture. The present case study of the *Perbadanan Usahawan Nasional Berhad (PUNB)* explores social capital concepts and processes within the context of business financing and servicing, instilling entrepreneurial value and culture in specific target areas, including the *Bumiputera* (sons of the soils) entrepreneurs' development, government strategic initiatives, and policies targeting national entrepreneurial processes.

1.1. Perbadanan Usahawan Nasional Berhad

PUNB is Malaysia's national entrepreneur development corporation, focusing on developing high-potential *Bumiputera* SME entrepreneurs. In line with Malaysia's National Development Policy (NDP) to build a dynamic, resilient and progressive Bumiputera Commercial and Industrial Community (BCIC), *PUNB* works to develop professional, highly ethical, and committed *Bumiputera* entrepreneurs, whose involvement and contribution are pivotal to the country's economic growth. *PUNB* contributes substantially to changing the existing economic landscape within a developing country environment. As part of this process, through development of both nascent and active *Bumiputera* entrepreneurs and support of their emerging businesses, a constantly-evolving set of goals has been developed to support this organization's aim of being a premier centre for entrepreneurial development.

PUNB provides business financing facilities, which are different from those provided by conventional financial institutions. Financing schemes are underpinned by Islamic principles within which profits and losses are shared. Depending on proposed business project requirements, financing is based on four popular Islamic financing instruments: *Qard* facility (whereby the borrower must pay back the loan's principal amount through a fixed instalment schedule), *Musarakah Mutanaqisah* (equity injection), *Bai Al Inah* (buy-sell agreements), and *Bai Bithaman Ajil* (deferred payment sale). In addition to financial aids, *PUNB*

provides entrepreneurship trainings preparing entrepreneurs with basic and advanced sector-related arrangements. Within stipulated timeframes, *PUNB* works in tandem with investees' business capacities, monitoring future investment prospects.

PUNB's business operations are focused on providing integrated entrepreneur development packages to assist *Bumiputera* entrepreneurs in selected retail and wholesale sectors. These development packages are designed to help entrepreneurs develop business acumen, maintain a profitable venture, and shape their enterprise for par excellence. Opportunities are given, through the provision of financial and professional development support to entrepreneurs to achieve business success.

2. Literature Review

Networking is regarded as an essential conduit for attaining business goals at start-up, venture development, and when monitoring business progress (Lee, 2009). In the context of entrepreneurship, business relationship itself establishes resources and privileged access to entrepreneurial opportunities (Ramos-Rodríguez et al. 2010). By analysing the patterns of network ties, network configuration, and the embedded resources, business relationships can be coordinated and cultivated accordingly to achieve business goals. Empirical investigation on network relationships is prevalent, leading to appropriate organization and utilization of business network ties and their potentials, and then determine how social capital takes place and develops resources and qualities within the relationships, in developing value-added strategies for sustainable business success. Inkpen and Tsang (2005, p. 150-151) defined social capital as *the aggregate of resources embedded within, available through, and derived from the network of relationships possessed by an individual or organization*.

Integrating network relationships with embedded resources, can lead to the development of organizational capability for achieving long-term business sustainability. Johannessen and Olsen (2009) suggested that internal and external knowledge processes are a feature of organizational capabilities. Building organizational capability is dependent on the qualities of networks, tacit knowledge, collective learning, organization of work, delivery of value, coordination of diverse skills, commitment, involvement, and flexibility within organizational structures. Similarly, *firm value-creation* helps to build organizational capabilities (Möller & Rajala 2007) via product, service, or organizational innovation. Thus, in order to sustain business for the long-term, nascent entrepreneurs need to develop appropriate network strategies for managing embedded resources, which should be directed to knowledge acquisition and firm value-creation.

Accordingly, the aim of the present case study is to provide insights into the elements and impacts of network relationships and social capital on value-added strategies in developing national entrepreneurial capacity. In line with research in network relationships and social capital (Casson & Giusta 2007; Hoang & Antoncic 2003; Lee 2009; Stam & Elfring 2008), the present study offers an empirical tool for analyzing and improving network relationships, by developing a causal network model to analyze the proposed interrelationships between social capital, value-added strategies, and business sustainability.

3. Data and Methodology

The status of entrepreneurship as a practice-based discipline suggests that its knowledge is bounded by its contextual nature (Leitch, Hill & Harrison, 2010). On this ground, there have been calls for the adoption of qualitative approaches in entrepreneurship research (Blackburn & Kovalainen, 2009; Jack, 2010) owing to its widespread acceptance across the social sciences, and to closely portray the meaning, not the frequency, of naturally occurring phenomena in the social world (Leitch, Hill & Harrison, 2010). Case studies provide researchers with opportunities to unveil specific, unique contextual conditions. Andrade (2009) noted that case studies are conducted in natural settings, and allow researchers to grasp a holistic understanding of a phenomenon under investigation.

Probing for deeper insights of the antecedents and consequences of network relationship orientation in developing a national entrepreneurial capacity, face-to-face interviews were conducted with *PUNB*. Semi-structured questionnaire was used as the basis of interview. Subsidiary questions were posed where clarification of information provided. Information for this case study is based on an in-depth interview and email correspondence with Ms. Hazina Mohamad, the Head of Strategic Business Development Department, supported by secondary data such as company brochures and official online facilities and websites.

The data analysis is taken as interactive and intuitive process throughout the process of qualitative inquiry to capture the complicated and dynamic nature of network relationships. Causal network model is developed, represents the data and analytical transformation within the qualitative process. The model contains both textual and diagrammatic representation that describe and highlight causation, links, influence, and outcomes that are involved in the case study (Nash 2006). In qualitative analysis, *combining textual analysis (for instance, interview transcripts) with a detailed mapping of network structure would provide an explanation of both network ties and content, allowing structure and process to be accounted for* (Jack 2010, p.132). The within-case analysis offers greater potential for explanation of the linkages and relationships between the understudied variables.

4. Findings

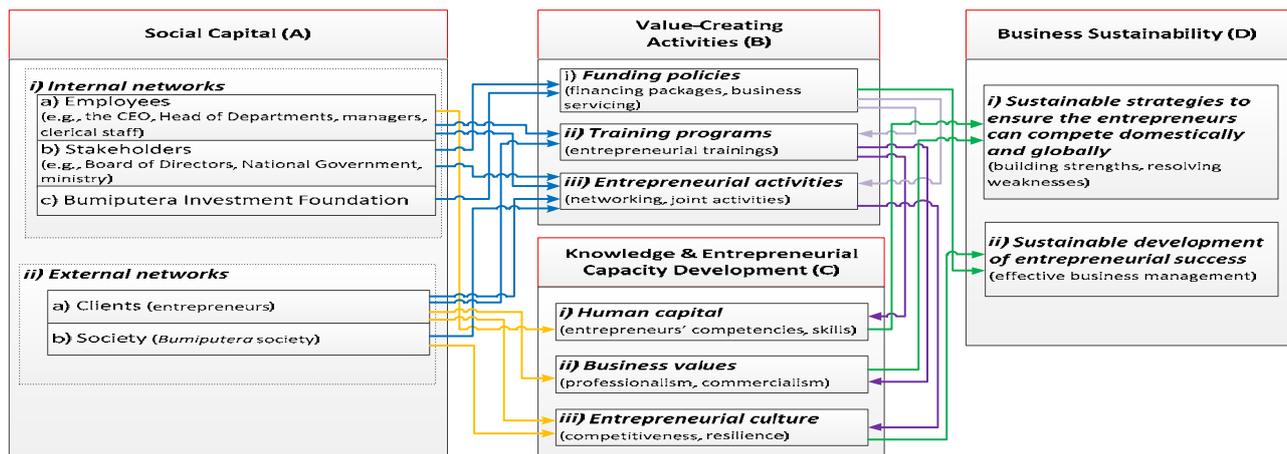


Figure 1: Causal network model of linkages between social capital, value-creating activities, knowledge and entrepreneurial capacity development, and business sustainability for *PUNB*

Figure 1 shows a causal network map that incorporates four main dimensions: Point A (social capital), B (value-creating activities), C (knowledge & entrepreneurial capacity development), and D (business sustainability). The approach taken here is to explore, through a social capital perspective, interrelationships of internal and external networks that substantially affect two practices involved with knowledge and entrepreneurial capacity as well as value-creation activities, leading to sustainable business development.

4.1. Social capital (A)

As a centre for national entrepreneurship development, *PUNB* accesses and promotes networks for participants of programs, as well as with people outside *PUNB* programs, in order to facilitate the evolution of *Bumiputera* entrepreneurs. Hence, networking as part of social capital is viewed as part-and-parcel of goal achievement, to foster entrepreneurial development via partnerships and mentorship. In the present case study, two dimensions of social capital are of particular interest: internal networks (Point Ai) and external networks (Point Aii).

Social capital (A) fosters cooperation of players within external and internal networks, emerging from the interactions between *PUNB* with other related parties within business circles. These interrelationships are important for negotiation and implementation of strategies and policies for performing value-creating activities, leading to knowledge and entrepreneurial capacity development. Ms. Hazina Mohamad stated that *networking and related opportunities provide access to skills, new markets, capitals and collective and reciprocal advantages*.

PUNB emphasizes the importance of adopting an external focus oriented towards satisfying clients (A_{ii}a) on the one hand, and educating the society (A_{ii}b) on the advantages of entrepreneurial and economic development on the other hand. In this context, networking with wide-ranging external networks is fostered to gain wide-reaching *PUNB* establishments, and to extend business opportunities. Benefits associated with sound networks or social capital (A) are exploited, via information and resource accumulation, and joint-venture arrangements during formative entrepreneurial business capacity building and development.

4.2. Value-creating activities (B)

Value-creating activities (B) are associated with improvement approaches, to upgrade to present *Bumiputera* and national entrepreneurship performance and growth potential. Value-creating activities geared towards nurturing national entrepreneurship, involve three main approaches or areas including funding policies, training programs, and entrepreneurial activities. Funding policies relate to business services and financing packages that are offered to entrepreneurs; training programs concern competency development and on-going entrepreneurship courses; and entrepreneurship activities primarily involve networking opportunities and venture prospect arrangements. In line with Ramos-Rodríguez et al. (2010), the relationship itself establishes resources and privileged access to entrepreneurial opportunities

Through policies, programs, and entrepreneurial activities, *PUNB* structures value-creating activities (B) to enable capacity building and up-skilling program participants. Training is important for the development of human capital (Bii → Ci) fulfilling the current needs of participant entrepreneurs, the business sectors, and society. Programs provide opportunities for the stimulating exchanges of fresh ideas and latest knowledge for entrepreneurial capacity development (Bii → C). Entrepreneurial activities focus on networking and opportunities for venture prospects. Ms. Hazina Mohamad elaborates, *PUNB uses networking to promote the investees to link with other government agencies (e.g., MATRADE), and to support the program participants to expand their business operations.* These value-creating activities (B) are monitored and improved continuously, concurrent with recent needs of knowledge and entrepreneurial capacity development (C).

4.3. Knowledge and entrepreneurial capacity development (C)

Knowledge and entrepreneurial capacity development (C) is concerned with knowledge and intangible elements, that reside in and involve exchange between *PUNB* and participant entrepreneurs. The relationship between these two parties has led to three identifiable knowledge development aspects; human capital, business values, and entrepreneurial culture.

Human capital (Ci) embodies the knowledge, skills and expertise as shaped of individuals to enable informed decisions regarding finance and investment inter alia (e.g., physical, venture capitals). Ms. Hazina Mohamad emphasized that *the development of human elements is important, as they are seen to lead entrepreneurs to positive and competitive practices in managing their enterprises.* Ensuring that knowledge is integrated within and between the enterprises, *PUNB* also facilitates knowledge exchange and learning activities between participants (Biii → Aii), leading to the development of a knowledge base within entrepreneurial community. Business values (Cii) encapsulate the approaches and views of business. Entrepreneurial culture (Ciii) concerns the organizational collective rules, behaviors, and expectations that influence the competencies and practices of enterprises.

4.4. Business sustainability (D)

Business sustainability is achieved through organized nurturing of nascent *Bumiputera* entrepreneurs, sound management of business networks and embedded resources (e.g., knowledge, skills, expertise). Business networks, or social capital, support the accumulation of embedded knowledge and entrepreneurial capacity, leading to business sustainability. *PUNB* fosters value-creating activities (B), and knowledge and entrepreneurial capacity development (C) to help investees or program participants to attain long-term business sustainability (D).

Two elements are given prominence for achieving business sustainability (D), that are sustainable strategies (Di) and development (Dii). Sustainable strategies (Di) are intended to support *Bumiputera* entrepreneurs so that they can compete domestically and globally, while remaining sustainable. Sustainable strategies focus on mechanism for building strength and resolving weaknesses associated with current programs and participants. Ms. Hazina Mohamad emphasized that sustainable strategies are *strategically designed by exploiting opportunities and potentials associated with market and economic changes.*

Sustainable development (Dii) emphasizes effective business management, to assist enterprises develop venture capacity both internally and externally. The scope of sustainable development for *PUNB* is to foster the development of a wide spread national entrepreneurial base for future generations and to help these ventures to sustain their growth over the long-term. Ms. Hazina Mohamad noted that *the efforts done on*

sustaining the development of Bumiputera entrepreneurs' include, but not limited to increasing prospects for new, potential markets, and stimulating changes in entrepreneurs short-term goals, and motivating them to develop to the next levels. *PUNB* encourages Bumiputera entrepreneurs to consider and then embrace progressive business principles that increase the likelihood of business success.

5. Conclusion

As a specific government-linked body, *PUNB* drills the potential of nascent and active entrepreneurs for national economic development. In this context, *PUNB* provides constructive guidelines, suggestions, and advice for hold to start a business and to maintain business operations. At the same time, *PUNB* provides extra capital for expanding high potential of existing ventures.

The process of developing entrepreneurial potential and capacities depends to a certain extent on relationships and interactions between the two main parties: *PUNB* and entrepreneurs, leading to knowledge and resource exchange, improvement and value-creation, and sustainable business development. A unique component of social capital is *PUNB*'s emphasis on human elements and tailoring programs to match investees. Through knowledge and entrepreneurial capacity development, social capital appears to influence value-creating activities that are geared towards long-term business sustainability.

6. References

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