

## Investigation of The Impacts of Social Capital on Organizational Entrepreneurship in Tehran Municipality

Mohammad Kazemi<sup>1</sup>, Mojtaba Gharibi<sup>\*2</sup>, Seyyed Mohammad Rezazadeh<sup>1</sup>,  
and Hassan Mohammadian Mosammam<sup>1</sup>

1. Department of Urban Planning (Geography), Faculty of Earth Science, Shahid Beheshti University, Tehran,  
District 1, Daneshjou Blvd, 1983969411, Iran

2. Department of Public Administration, Shahid Beheshti University, Tehran,  
District 1, Daneshjou Blvd, 1983969411, Iran

\*E-mail: gharibi\_sbu@yahoo.com

---

### Abstract

Entrepreneurship is the symbol of endeavor and success in business, and entrepreneurs play a crucial role in economic and social development of communities. Since Organizational Entrepreneurship (OE) contribute to earning stable finance required for administration of urban affairs, it is very important in the case of municipalities. For this reason, this study aims to investigate the role of social capital (SC) in the development of entrepreneurship in Tehran municipality. Research method was descriptive and non-experimental, and required data were collected through 204 questionnaires distributed among managers and experts of the organization. Stratified sampling was used, in which 37 managers and 167 experts participated. Number of male participants was 147, and number of female participants was 57. The mean age of participants was 41 years, and its standard deviation was 0.765. In order to test the research hypothesis, structural equation modeling (SEM) was used. The results of the study showed that social capital and its three dimensions (Cognitive, Relational and Structural dimensions) had positive significant effect on organizational entrepreneurship.

### Investigasi Dampak Kapital Sosial pada Kewirausahaan Organisasional di Kota Teheran

#### Abstrak

Kewirausahaan adalah simbol dari usaha dan kesuksesan dalam bisnis, dan kewirausahaan memainkan peran penting dalam perkembangan ekonomi dan sosial masyarakat. Sejak Kewirausahaan Organisasional (*Organizational Entrepreneurship*, OE) berkontribusi pada stabilitas keuangan untuk administrasi urusan perkotaan, hal ini menjadi sangat penting pada kasus kota. Melalui alasan ini, studi ini bertujuan untuk meneliti peran dari kapital sosial (*Social Capital*, SC) pada perkembangan kewirausahaan di Kota Teheran. Metode penelitian menggunakan deskriptif dan *non*-eksperimental, dan data yang terkumpul berasal dari 204 kuesioner yang didistribusikan pada manajer dan ahli organisasi. Penelitian menggunakan *stratified sampling* dengan partisipan sebanyak 37 manajer dan 167 ahli organisasi. Jumlah partisipan laki-laki sebanyak 147 orang dan jumlah partisipan perempuan sebanyak 57 orang. Rata-rata usia partisipan adalah 47 tahun dengan standar deviasi 0,765. Hipotesis penelitian diuji menggunakan *Structural Equation Modeling* (SEM). Hasil dari studi menunjukkan bahwa kapital sosial melalui tiga dimensinya (dimensi kognitif, relasional dan struktural) memiliki pengaruh signifikan yang positif pada kewirausahaan organisasional.

*Keywords: Organizational entrepreneurship, social capital, municipality, Tehran*

#### Citation:

Kazemi, M., Gharibi, M., Rezazadeh, S. M., Mosammam, H. M. (2016). Investigation of the impacts of social capital on organizational entrepreneurship in Tehran municipality. *Makara Hubs-Asia*, 20(1), 26-36. DOI: 10.7454/mssh.v20i1.3484

---

### 1. Introduction

There are three interesting phenomena attracting the attention of Indonesian migrant workers, today it is

recognized that the success and survival of organizations require entrepreneurship. This concept, therefore, is considered as a key factor in sustainable urban development. Entrepreneurship expands existing structures, norms,

technologies, services, and products and puts them on a new route (Hjorth, 2005; Hall, Daneke & Lenox, 2010; Meek, Pacheco & York, 2010). Entrepreneurship is the symbol of endeavor and success in business affairs, and entrepreneurs play an important role in the social and economic development of societies (De Vita, Mari & Poggesi, 2014). This characteristic contributes to economic growth in terms of leadership, management, innovation, development and research efficiency, job creation, competition, productivity, and the development of new industries (Minniti & Lévesque, 2010; Baptista, Escária & Madruga, 2008). In other words, in the international competition arena, organizational entrepreneurs whose sharp competitive edge is flexibility and change in the process of strategy in plans, processes, and products are the pioneers and the winners of the arena (Hult, Snow & Kandemir, 2003; Dobrev & Barnett, 2005).

In contrast, in countries with low social capital, citizens' distrust toward each other leads to a belief that entrepreneurs only think about their own interests, and it detracts from society interests (Lochner et al., 1999). Therefore, entrepreneurship is an important ability for countries which can change societies into a mastermind through dynamics and social and scientific interactions whose collaboration and synergy create opportunities and are the most enabling factor for the country and the nation (Freytag & Thurik, 2007).

In the past decade, social capital has emerged as one of the most important factors in promoting organizational entrepreneurship. Jennings and Lumpkin believe that an entrepreneur organization, in relation to normal organizations, create newer products (Jennings & Lumpkin, 1989). Miller considers organizational entrepreneurship as a phenomenon that includes a tendency to do innovation, prediction and risk-taking in developing products and technology (Miller, 1983). Entrepreneurship is also a learning process, and it refers to the problem-solving ability and learning from problems (Deakins & Freel, 2003). The accumulation of patterns and structural, cognitive, and relational dimensions among the society individuals are called 'social capital,' and we believe that it is an important factor in determining an individual's organizational and social behavior (Widén-Wulff & Ginman, 2004; Tsai & Ghoshal, 1998, Inkpen & Tsang, 2005). The core concept in social capital theory is inter-personal relationships, and these are the key to success. They also foster stronger connections within social networks by creating environments that promote trust, rapport and goodwill, which yields positive outcomes (Ellinger, Baş, Ellinger, Wang & Bachrach, 2011).

Nowadays, social capital is regarded as the most important organizational capital. Organizations can have a better understanding of interpersonal interaction pattern by identifying the dimensions of their social

capital and the amount of savings of their investment, and they can manage and guide their organizational issues, including entrepreneurship. Moreover, by integrating entrepreneurship via social structures, we can create a broad perspective in this regard (Nahapiet & Ghoshal, 1998; Schnell & Sofer, 2003). What is certain is that creation and promotion of skills and benefits of organizational entrepreneurship require preliminary provisions and basic changes, including in organizational culture. A question which might be raised now is what is the relation between the promotion of social capital as the accumulation of norms governing individuals' behavior and tendency and skills about entrepreneurship in the Tehran municipality? This is the question which forms the basic issue of the paper

#### **Social capital and entrepreneurship: literature review.**

According to theory of social networks, entrepreneurship is a process which takes place in an uncertain network of social relationships, and these social relationships can limit or facilitate the relation between the entrepreneur, sources and opportunities (Greve & Salaff, 2003; Casson & Della Giusta, 2007).

Based on entrepreneurship researches, motivation, providing a role model, giving expert advices, as well as easier access to opportunities are the four main impacts of entrepreneurship networks (Foss, 2010). Entrepreneurial networks include how the social relationships of entrepreneurs and entrepreneurial teams influence the formation and development processes of new business. In addition to the economic factors that influence entrepreneurship, non-economic factors such as social networks can impact the entrepreneurial phenomenon too (Greve & Salaff, 2003). During formation, new ventures require myriad resources, from information and capital to symbolic support such as legitimacy (Singh, Tucker & House, 1986). Given venture resource constraints, entrepreneurs often form ties with outside entities in an effort to provide many of these critical resources. Such ties form the entrepreneur's "social capital", or the sum of the actual and potential resources embedded within, available through, and derived from a relationship network (Greve & Salaff, 2003; Nahapiet & Ghoshal, 1998). Besides providing access to economic resources, social capital derived from this network is important because it can provide the entrepreneur access to useful, reliable, exclusive, and less redundant information, which, in turn, improves a venture's likelihood of success (Witt, 2004). In addition, social capital serves as both a product of the entrepreneurial network and an enabler of continued network development, facilitating coordination and co-operation of network ties by bonding the parties involved (Anderson & Jack, 2002).

Awareness and development of entrepreneurs' knowledge takes place through investing in information exchange

which others do not use in order to create a coherent vision. Therefore, the flow of information among members of an entrepreneurs' network is important for identifying and developing opportunities (Smith & Lohrke, 2008; Dodd, Jack & Anderson, 2002; Jack, Dodd & Anderson, 2008).

Entrepreneurs' information collection is influenced by social conditions especially when it is done through a network of close and trusted friends (Baron, 2006). Davidsson and Honig (2003) identified strong and reliable relationships in newly created entrepreneurs' social network which influence their effort in following their investment ambitions (Davidsson & Honig, 2003). In fact, managing a trust-based social network is influenced by the depth and richness of relationships especially in the exchange of information. Moreover, networks have significant influence on the process of decision making for potential entrepreneurs (Kim & Kang, 2014). Therefore, a social network is of great importance before starting the work. Birley (1987) verified the significance of informal network of family and friends in the beginning phase of an entrepreneurial firm activity (Birley, 1987). Brown and Butler (1993) argue that individuals who are centrally located in well-developed social networks are more likely to be aware of entrepreneurial opportunities available than those who are in weak social networks (Brown & Butler, 1993). Larson and Starr point out that social relations have potential economic power and provide entrepreneurs with access to necessary resources (Larson & Starr, 1993).

Social capital refers to positive outcomes which occur when individuals have social relationships with others including being recognized by others, having a good reputation, and having consistent and credible relationships. These relationships provide access to a range of tangible and intangible resources. Among the tangible resources which an individual can obtain through social relationships, financial resources and access to valuable information can be included. Intangible benefits include support, advice, advocacy on behalf of others, and increase in cooperation and trust in others. The more the trust among

individuals, the more channels of communication are opened (Fukuyama, 2001; Adler & Kwon, 2002). In addition, when interaction among individuals increase, new entrepreneurs can develop trust more easily, and, consequently, the exchange of information and resources among the network members is facilitated. Evidence shows that when trust is created among group members, they tend cooperate more in activities, and this will lead to more trust. In fact, trust paves the way for obtaining resources and knowledge. Therefore, it can be said that those who can reach a higher level of trust are more likely to obtain knowledge, information, and other sources available in their social network. It can be concluded that, this capital can increase an individual's tendency to take risk and to carry out entrepreneurial activities (De Carolis & Saporito, 2006; Liao & Welsch, 2003).

If social ties in the production of innovative ideas are to be examined, the result will indicate that people who are connected to community groups can provide more valuable ideas and their creativity is higher (Perry-Smith, 2006; Li, 2007).

Social communications can facilitate the transfer of knowledge in knowledge management systems in the organization as well. The use of social interactions not only benefits the participants in these communications, but the organizations themselves can get benefits by decreasing expenses and reducing the time they allocate for meeting the needs and coping with environmental threats (Inkpen & Tsang, 2005; Reagans & McEvily, 2003). Recent research shows the relationship between the size of network (the number of interactions and links) and innovation, self-renewal, and entrepreneurship. The role of networks in strengthening of innovation and identification of opportunities as well as the development of new ideas has been the subject of study in recent years, and research findings support this theory (Sarpong & Maclean, 2011; Greve & Salaff, 2003).

In the following Table 1 some findings have been summarized related to the topic of this study.

**Table 1. Findings of Pervious Researches**

Researcher	Result of the study
Rabiee and Sadeghzadeh (2011)	There was a positive significant relationship between social capital and organizational entrepreneurship.
Gholipour, Madhoushi and Jafarian (2008)	There was a reciprocal relationship between social capital and organizational entrepreneurship.
Davidsson and Honig (2003)	The effective factors in the development of social capital were strongly related to the identification of opportunities for new business.
Kavousi and Kiasi (2009)	There was a positive relationship between trust, norms, social networks, and organizational entrepreneurship.
Perry-Smith (2006); Zhou et al., (2009); Li (2007)	Individuals who are connected to social groups produce more valuable ideas and have enough creativity
Kim & Aldrich (2005)	Benefits of social network mainly belong to those entrepreneurs who are able to design a broader, more diverse network.

**Research hypotheses and variables.** Based on what was mentioned about SC and OE, the main hypothesis of this paper is:

**H1:** Social capital positively and significantly influences organizational entrepreneurship in Tehran municipality. Secondary hypotheses were formed from the breakdown of social capital dimensions. Since different organizations can have different dimensions of social capital and also a unique organization can have a specific dimension of social capital, we decided to break down the dimensions of social capital in order to investigate the impact of each dimension on the organizational entrepreneurship. Therefore, the hypotheses and their logical arguments are the following:

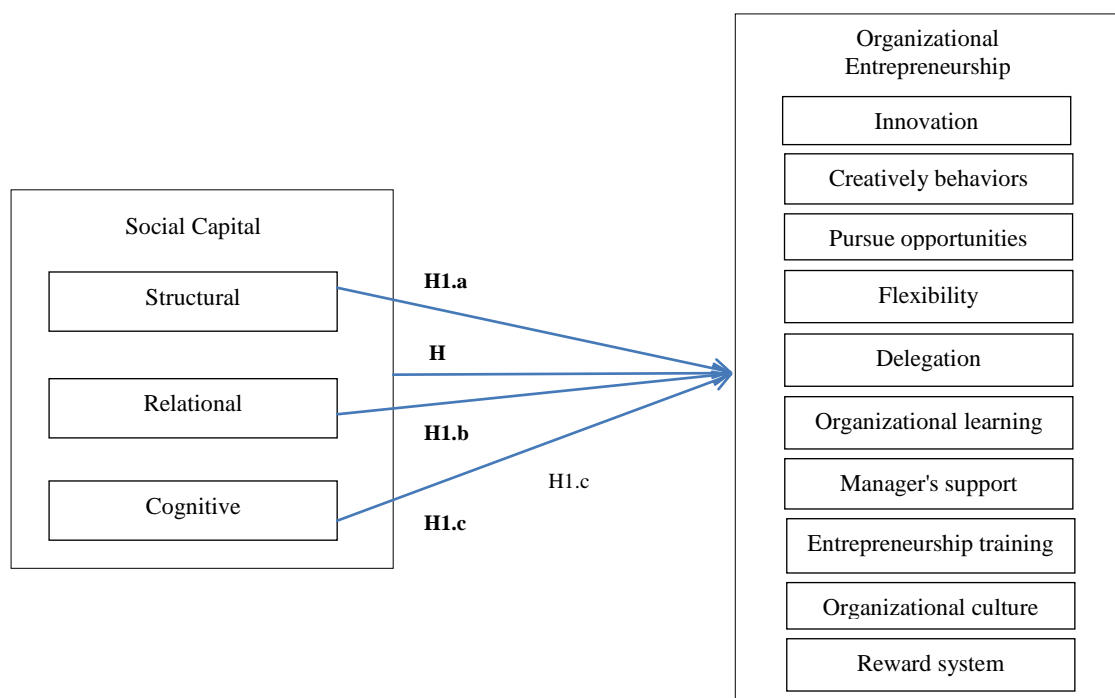
Structural dimension of social capital focuses on the fact that whether employees in an organization communicate with each other or not. Structural dimension is related to the structures and processes such as the accountability of managers and leaders, transparency in decision-making, and encouraging the teamwork among employees. Thus, the existence of such factors can increase the learning capacity of individuals and groups, promote the storage and transmission of knowledge between employees in organization, and, consequently, increase the level of organizational entrepreneurship. Therefore, the first secondary hypothesis could be:

**H1.a:** Structural dimension of social capital positively and significantly influences organizational entrepreneurship. The relational dimension of social capital explains the

essence of relationships in an organization. In other words, while structural dimension of the social capital focuses on whether the employees of an organization is connected to each other or not, the relational dimension focuses on the quality of communications. For example, is these relationships could be defined by trust, intimacy and love? This dimension consists of the trust, norms, obligations and identity and our question is that these factors can underlie the entrepreneurial processes? To answer this question we proposed the next secondary hypothesis:

**H1.b:** Relational dimension of social capital positively influences organizational entrepreneurship. Cognitive dimension of social capital describes the participation of the members of a social network in a collective perspective or a common understanding among themselves. This dimension includes such concepts as the common language, norms and narratives. Having a common perspective of an organization and its objectives binds together the individual understanding of each other ideas. Thereby cognitive dimension creates a common understanding among staff about the needs of the organization. Therefore, we ask: how can cognitive dimension lead to entrepreneurship? And this question forms the third secondary hypothesis:

**H1.c:** Cognitional dimension of social capital positively influences organizational entrepreneurship. The research model based on research hypothesis and variables can be seen below (Figure 1).



**Figure 1. Research Model**

## 2. Methods

**Statistical population and sampling.** The statistical population in this research included all the managers and experts of Tehran Municipality. Tehran, capital of Iran, contains 15% of the urban population of the country. With 8,154,051 inhabitants it is also the center of the largest metropolitan area in Iran, and the largest city in Middle East (Statistical center of Iran, 2011). The city area is 636 km<sup>2</sup>, and population density is 156 persons (Tehran municipality, 2013). Household size in Tehran is 3.4, and people from different cultures, languages, religions and beliefs living in this city. The co-existence of different religions such as Christianity, Judaism, and Zoroastrianism with majority of Muslims is indicative of a modern pluralistic society (Tehran municipality, 2014). During the last few decades, for the millions of rural poor and smaller cities in Iran, Tehran was an attractive destination. However, in the past five years more conspicuous growth located in peripheral and suburban areas, due to land price differences between core and peripheral areas. Tehran municipality is administratively divided into 22 districts and 112 sub-districts. These districts are shown in Figure 2. There is a mayor for each district in Tehran, and each district has several different departments.

Tehran was chosen as a case study in this paper to help us test our pre-designed model. The availability of data, accessibility to municipality, and its departments and ease of distributing and collecting the questionnaire were the reasons we chose Tehran as a case study. In this research, the required data were gathered from these departments through questionnaire. The sample consisted of 204 managers and experts of the Tehran municipality, and random sampling was used. Since both managers as well as experts were involved in the entrepreneurial process, and their social capital hypothetically impacted on the organizational entrepreneurship, we decided to

choose our sample among both managers and experts. In this case, sampling procedure was followed: 1 manager and 6 experts were chosen without regard to gender in every municipality district. Fifteen managers and 35 experts from central municipality were also chosen. Anyone who did not wish to respond was replaced by another.

**Questionnaire and data analysis method.** The data were collected using 51-item questionnaire. Social capital was measured by 20-item questionnaire based on three dimensional model of social capital that was developed by Nahapiet and Ghoshal (1998). Example of the items included: “There are several people I trust to help solve my problems”. Also, organizational entrepreneurship was measured by 31-item questionnaire designed by the researchers. Example of the item included: “encourage of new and innovative method for doing work by my organization”. After developing the questionnaire, a pilot study of 30 managers and expert was conducted to test the reliability and validity of the scale. Content and construct validity were used for the test. The content validity of the questionnaire was determined through the advice of the experts in this field. Procedure was followed, and the the questionnaire was emailed to 15 scholars and experts that had activity in the field of organizational entrepreneurship and social capital, and 9 of them responded to the email. After receiving the feedback of them, final questionnaire was designed.

In order to determine the construct validity, confirmatory factor analysis was used. Furthermore, to test the data reliability, Cronbach’s  $\alpha$  was calculated (Table 2). To analyze the data and test the hypotheses, the Pearson correlation coefficients between every two variables were calculated first. Only if there was a relationship, their causal relationship was tested through structural equation modeling. Table 3 shows the correlation coefficient among the variables of the study.

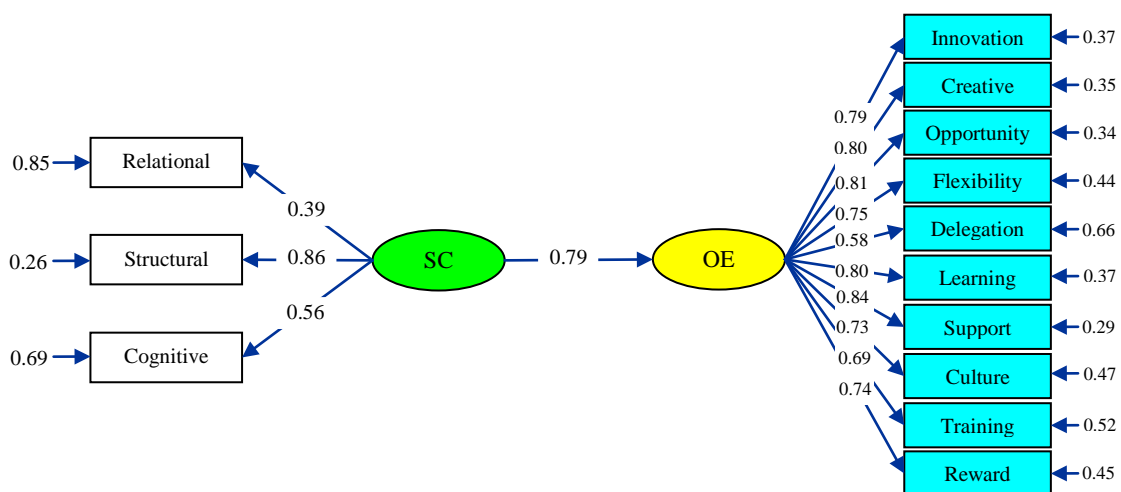


Figure 2. Testing the Casual Relationship between SC and OE (Standardized Solution)

Table 2. Confirmatory Factor Analysis

Variable	Dimension	Item	Mean	SD*	Factor loading
Organizational Entrepreneurship	Innovation	INN1	3.47	1.232	0.77**
		INN2	3.50	1.267	0.82**
		INN3	3.59	1.195	0.75**
	Creatively behaviors	BEH1	3.08	1.199	0.51**
		BEH2	3.28	1.168	0.76**
		BEH3	3.42	1.080	0.71**
	Explore and pursue opportunities	OPP1	3.10	1.250	0.78**
		OPP2	3.14	1.089	0.8**
		OPP3	3.35	1.184	0.67**
	Flexibility	FLX1	3.36	1.067	0.65**
		FLX2	3.60	1.086	0.55**
		FLX3	3.30	1.312	0.78**
	Delegation	DEL1	3.69	1.063	0.7**
		DEL2	3.68	1.075	0.75**
		DEL3	3.79	0.987	0.83**
	Organizational learning	OL1	4.01	1.008	0.44*
		OL2	3.42	1.167	0.78**
		OL3	3.31	1.212	0.8**
	Managers support	SUP1	3.19	1.202	0.84**
		SUP2	3.20	1.164	0.83**
		SUP3	2.96	1.190	0.81**
SUP4		3.05	1.100	0.73**	
Organizational culture	CUL1	3.55	1.161	0.73**	
	CUL2	3.38	1.070	0.77**	
	CUL3	3.31	1.124	0.88**	
Entrepreneurship training	TRA1	3.29	1.163	0.81**	
	TRA2	3.51	1.046	0.74**	
	TRA3	3.68	1.089	0.50**	
Reward system	REW1	3.21	1.195	0.76**	
	REW2	3.21	1.148	0.86**	
	REW3	3.42	1.160	0.73**	
Social capital	Structural	STR1	3.52	1.080	0.68**
		STR2	3.55	1.040	0.65**
		STR3	3.74	1.039	0.36*
		STR4	3.50	1.052	0.76**
		STR5	3.20	1.137	0.68**
		STR6	3.70	1.077	0.55**
		STR7	3.43	1.085	0.51**
	Relational	RLT1	4.22	0.990	0.43*
		RLT2	4.17	0.902	0.47**
		RLT3	3.98	0.917	0.56**
		RLT4	4.03	0.887	0.66**
	Cognitive	COG1	3.33	1.275	0.58**
		COG2	3.39	1.249	0.64**
		COG3	3.57	1.108	0.47**
		COG4	3.46	1.144	0.57**
		COG5	3.40	1.138	0.63**
		COG6	4.03	0.887	0.69**
		COG7	3.28	1.231	-0.19
		COG8	2.55	1.152	0.61**
		COG9	3.48	1.199	0.47**

\* Standard Deviation

**Table 3. The Correlation Coefficients between Variables**

	RLT	STR	COG	INN	BEH	OPP	FLX	DEL	OL	SUP	CUL	TRA	REW	SC	OE
RLT	1														
STR	.321**	1													
COG	.311**	.475**	1												
INN	.254**	.505**	.348**	1											
BEH	.172*	.511**	.354**	.714**	1										
OPP	.307**	.536**	.319**	.698**	.723**	1									
FLX	.289**	.596**	.354**	.562**	.615**	.605**	1								
DEL	.198**	.434**	.247**	.396**	.563**	.525**	.517**	1							
OL	.291**	.574**	.279**	.666**	.616**	.637**	.560**	.461**	1						
SUP	.152*	.598**	.343**	.684**	.638**	.654**	.619**	.412**	.694**	1					
CUL	.111	.406**	.350**	.567**	.573**	.582**	.522**	.366**	.544**	.698**	1				
TRA	.275**	.471**	.380**	.473**	.491**	.536**	.498**	.395**	.551**	.588**	.580**	1			
REW	.202**	.586**	.326**	.482**	.531**	.532**	.595**	.415**	.607**	.641**	.571**	.686**	1		
SC	.702**	.783**	.798**	.484**	.455**	.506**	.541**	.384**	.497**	.478**	.383**	.493**	.487**	1	
OE	.288**	.667**	.421**	.803**	.823**	.830**	.774**	.634**	.816**	.851**	.770**	.743**	.776**	.602**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

As Table 3 shows, there is a positive significant relationship among SC and their dimensions with OE; therefore, the causal relationships among them will be discussed.

### 3. Results and Discussion

**Reliability and validity analysis.** Table 2 shows the results of confirmatory factor analysis of scales. Analysis showed that factor loading of 7 items was less than 0.5 (Kerlinger, 1978). Therefore, those items were removed from final scale. Also the reliability outcomes are presented in Table 4.

To test the fitness of the model, in addition to chi-square, other indices such as GFI (Goodness of fit index), AGFI (Adjusted goodness of fit index), and RMSEA (Root mean square error of approximation) were used. The results of analysis of the model fit showed that all the indices met good fitness standards (Table 5).

Table 4 shows Cronbach's  $\alpha$  coefficient of scales. The results show high reliability owing to the fact that Cronbach's  $\alpha$  values for all measurement perspectives were larger than 0.7 (Nunnally, 1978).

**Structural equation modeling (SEM) analysis.** To perform structural equation modeling, the model was estimated in both significance and standard parameters. To test the standard parameter, the value of R was estimated, and to test the significance parameter the T-value was estimated (see Tables 6).

**Table 4. Reliability Statistics**

Scale	Number of Items	Cronbach's $\alpha$
SC*	20	0.850
OE**	31	0.953

\*Social capital

\*\*Organizational entrepreneurship

Figure 2 shows the results of the main hypothesis testing using SEM (model 1). The causal relationship between two variables at 99 percent level of confidence is verified if T-value is greater than 2.57 or smaller than -2.57. Also, if the ratio of the chi-square to the degree of freedom is less than 3, then the structural model has very good fitness.

As we can observe in Table 6, firstly considering the significance of T-value, the main hypothesis is verified at 99 percent level of confidence. Secondly, the fitness of the model is verified because the value of chi-square, the value of RMSEA, and the ratio of chi-square to the degree of freedom is small and the value of GFI and AGFI is approximately 90 percent. Therefore, the model has good fitness. Consequently, it can be said that social capital can lead to organizational entrepreneurship at 99 percent level of confidence. Table 6 shows the result of causal relationship test between SC dimensions and OE.

It presents the structural equation modeling test for secondary hypotheses are presented. It also includes the standard coefficient (R), T-value, chi-square, degree of freedom, and model fit indices. Considering the fact that

**Table 5. Goodness of Fit of Confirmatory Factor Analysis Models**

Chi-Square	Df	P-value	RMSEA	GFI	AGFI
209.8	64	0.0000	0.106	0.86	0.8

**Table 6. The Results of Structural Equation Modeling for the Secondary Hypotheses**

Hypotheses	R	T-value	Chi-Square	Df	P-value	RMSEA	GFI	AGFI
<b>H1.a</b>	0.77	9.85	288.01	103	0.64523	0.094	0.95	0.88
<b>H1.b</b>	0.37	4.03	193.26	105	0.75323	0.052	0.96	0.92
<b>H1.c</b>	0.46	5.69	314.27	212	0.88232	0.042	0.97	0.91

the T-value is greater than 2.57 in all hypotheses, the standard coefficient is significant at 99 percent level of confidence. Therefore, it can be claimed that the dimensions of social capital (structure, cognition, and relational) have positive impact on the emergence of organizational entrepreneurship in municipality.

**Discussion.** Despite a surge of studies examining the role of social capital in the entrepreneurial process, no quantitative assessment of the empirical evidence to study the impact of social capital on entrepreneurship in municipalities exists. Therefore, we broached this question: are social capital and its value, in the Tehran Municipality, as the accumulation of norms governing the behavior of individuals related to staff's interests and expertise in the field of entrepreneurship?

In the first hypothesis, it was revealed that social capital has a direct and significant impact on entrepreneurship in the organization. This is to say, the higher the degree of communications and the larger the employee's social network, the better the context for the occurrence of entrepreneurship. This may be due to the increase in the exchange of ideas and new concepts when the employees come into closer contact with each other. As Brooks and Nafukho (2006) argued, knowledge sharing among the organization members plays an important role in the occurrence of entrepreneurship. In fact, they referred to the possibility of information transfer when the relationships between organization members are improved. Moreover, Jiménez-Jimenez, Sanz Valle & Hernandez-Espallardo (2008) introduced the relational aspect of social capital as being composed of trust, individual's identity, and interaction, and then illustrated the effect of the relational components on entrepreneurship. For example, with respect to trust, they argued that it is after building trust among the organization members that one could expect information transfer among members to lead them to new ideas and methods. Moreover, their research results are consistent with the present research results. The cognitive aspect of social capital, on the other hand, also has a positive and significant effect on organizational entrepreneurship. This is to say that

shared views and goals among the organization members, brought about through value creation, fosters entrepreneurship in the organization. Ultimately, the positive effect of the structural aspect of social capital on entrepreneurship indicates that the components of the structural aspect of social capital including the extent of the network have a strong effect on entrepreneurship. Based on the analysis of secondary hypotheses which investigated the effect of various dimensions of social capital on organizational entrepreneurship, it could be said that the structural dimension of social capital has the greatest impact on organizational entrepreneurship. Thus, managers in order to promote organizational entrepreneurship should first and foremost enhance the structural dimension of social capital in their firms. The research findings of Zheng (2010) and Kaasa et al. (2007) also showed that social capital, especially its structural aspect in the shape of formal and informal networks and civic engagement, has a positive effect on entrepreneurial activities.

Obviously, providing an appropriate context to increase social capital is time consuming and difficult. Therefore, organizations and especially municipalities, in terms of importance they give to promoting entrepreneurship in their firms, must pave the way for organizational entrepreneurship through constant investment, by supporting a desired level of social capital and by designing and defining of a suitable model for organizational entrepreneurship. The main assumption of this study is that social capital plays a significant role in organizational entrepreneurship and, therefore, more opportunities are identified because one important factor in identifying opportunities is social capital that is composed of social networks, which provide entrepreneurs with more resources and opportunities and extend their domain of choice.

Social capital includes level and type of communication between employees, groups, teams and organization with citizens, other organization, NGOs and beneficiaries. Relations are created based on trust; improving coordination among employees and causing knowledge creation, transfer and implementation in the organization.



Output of this process is the exchange of new ideas and idea development to resolve problems and take advantage of opportunities. Perry-Smith and Mannucci (2015) proposed that creativity and entrepreneurship are outcome of social process. De Carolis and Saporito (2006) suggested that entrepreneurial behavior is a result of the interplay of environments (i.e., social networks) and certain cognitive biases in entrepreneurs. They proposed that both individual cognition and social capital are important in understanding entrepreneurial behavior. Social capital theory refers to the ability of actors to extract benefits from their social structures, networks, and memberships. Social networks provided by extended family, community-based or organizational relationships are theorized to supplement the effects of education, experience, and financial capital. Social capital is multidimensional, and it occurs at both the individual and the organizational levels. Social capital is broadly defined in the literature, such that a precise link between definition and operationalization is necessary in order to explain any aspect of the many network processes and reciprocities characterized under this umbrella term.

#### Research limitations and future research suggestions.

The participants of this research are managers and experts of Tehran municipality. One of the drawbacks of distributing questionnaires is that none can guarantee the questionnaires were filled by the target respondents in person. That is one of our research limitations. One of the priorities of a good study is the ability for generalization.

A satisfactory research should be widely accepted, and be applicable for several different types of researches in different geographic locations. However, in this research, data collected from the sample only consisted of 204 qualified managers and experts. The limitations on sample size and responses quality may constraint the generalization and application of this research.

In order to improve organization's social capital some future researches should ask: how can create trust between members and organizational units? Also studies on participation and extension of networks among members and formation of utility promotion committees. Formation of business networks and encouraging staff to participate in organizational plans and objectives that promotes inter-firm relationships. Designing and performing mechanisms in order to institutionalize values and firm perspective to invest on the cognitive element of social capital

#### 4. Conclusions

The results proposed that organizations needed different stimuli and driving forces in order to implement and execute entrepreneurship. Social capital was one of them. Based on the analysis of this study, social capital and its

three dimensions (relational, structural and cognitional social capital) increased organizational entrepreneurship in Tehran municipality. By improving the organizational cognitive, structural, and relational aspects of social capital, the organizations could facilitate the implementation of entrepreneurship. Moreover, entrepreneurial orientation played a significant mediating role in the relationship between social capital and organizational entrepreneurship. This indicates that the social capital is an important factor in the accomplishment of organizational entrepreneurship in order to dealing with organizational changes and achieving organizational goals.

#### References

- Adler, P. S., & Kwon, S. W. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, 27(1), 17-40.
- Anderson, A. R., & Jack, S. L. (2002). The articulation of social capital in entrepreneurial networks: A glue or a lubricant? *Entrepreneurship & Regional Development*, 14(3), 193-210.
- Baptista, R., Escária, V., & Madruga, P. (2008). Entrepreneurship, regional development and job creation: the case of Portugal. *Small Business Economics*, 30(1), 49-58.
- Baron, R. A. (2006). Opportunity recognition as pattern recognition: How entrepreneurs "connect the dots" to identify new business opportunities. *The Academy of Management Perspectives*, 20(1), 104-119.
- Birley, S. (1987). New ventures and employment growth. *Journal of Business Venturing*, 2(2), 155-165.
- Brooks, K., & Muya Nafukho, F. (2006). Human resource development, social capital, emotional intelligence: Any link to productivity?. *Journal of European Industrial Training*, 30(2), 117-128.
- Brown, B., & Butler, J. E. (1993). Networks and entrepreneurial development: the shadow of borders. *Entrepreneurship & Regional Development*, 5(2), 101-116.
- Casson, M., & Della Giusta, M. (2007). Entrepreneurship and Social Capital Analysing the Impact of Social Networks on Entrepreneurial Activity from a Rational Action Perspective. *International Small Business Journal*, 25(3), 220-244.
- Davidsson, P., & Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of business venturing*, 18(3), 301-331.

- De Carolis, D. M., &Saparito, P. (2006). Social capital, cognition, and entrepreneurial opportunities: A theoretical framework. *Entrepreneurship Theory and Practice*, 30(1), 41-56.
- De Vita, L., Mari, M., &Poggesi, S. (2014). Women entrepreneurs in and from developing countries: Evidences from the literature. *European Management Journal*, 32(3), 451-460.
- Deakins, D., & Freel, M. (1998). Entrepreneurial learning and the growth process in SMEs. *The Learning Organization*, 5(3), 144-155.
- Dobrev, S. D., & Barnett, W. P. (2005). Organizational roles and transition to entrepreneurship. *Academy of Management Journal*, 48(3), 433-449.
- Dodd, S. D., Jack, S. L., & Anderson, A. R. (2002). Scottish entrepreneurial networks in the international context. *International Small Business Journal*, 20(2)
- Ellinger, A. E., Baş, A. B. E., Ellinger, A. D., Wang, Y. L., & Bachrach, D. G. (2011). Entrepreneurial action and performance. *Asia Pacific Journal of Management*, 20(2), 151-174.
- Foss, L. (2010). Research on entrepreneur networks: the case for a constructionist feminist theory perspective. *International Journal of Gender and Entrepreneurship*, 2(1), 83-102.
- Freytag, A., & Thurik, R. (2007). Entrepreneurship and its determinants in a cross-country setting. *Journal of Evolutionary Economics*, 17(2), 117-131.
- Fukuyama, F. (2001). Social capital, civil society and development. *Third World Quarterly*, 22(1), 7-20.
- Gholipour, R., Madhoushi, M., & Jafarian, M. (2008). *Analysis of Social Capital Effect on Organizational Entrepreneurship. case study: Sadid Industrial Group, Management Culture*, sixth year, 111-129.
- Greve, A., & Salaff, J. W. (2003). Social networks and entrepreneurship. *Entrepreneurship theory and practice*, 28(1), 1-22.
- Hall, J. K., Daneke, G. A., & Lenox, M. J. (2010). Sustainable development and entrepreneurship: Past contributions and future directions. *Journal of Business Venturing*, 25(5), 439-448.
- Hjorth, D. (2005). Organizational entrepreneurship with de Certeau on creating heterotopias (or spaces for play). *Journal of management inquiry*, 14(4), 386-398.
- Hult, G. T. M., Snow, C. C., & Kandemir, D. (2003). The role of entrepreneurship in building cultural competitiveness in different organizational types. *Journal of Management*, 29(3), 401-426.
- Inkpen, A. C., & Tsang, E. W. (2005). Social capital, networks, and knowledge transfer. *Academy of management review*, 30(1), 146-165.
- Jack, S., Dodd, S. D., & Anderson, A. R. (2008). Change and the development of entrepreneurial networks over time: a procession perspective. *Entrepreneurship and Regional Development*, 20(2), 125-159.
- Jennings, D. F., & Lumpkin, J. R. (1989). Functioning modeling corporate entrepreneurship: An empirical integrative analysis. *Journal of management*, 15(3), 485-502.
- Jiménez-Jimenez, D., Sanz Valle, R., & Hernandez-Espallardo, M. (2008). Fostering innovation: The role of market orientation and organizational learning. *European Journal of Innovation Management*, 11(3), 389-412.
- Kaasa, A., Kaldaru, H., & Parts, E. (2007). *Social capital and institutional quality as factors of innovation: evidence from Europe*. University of Tartu Faculty of Economics and Business Administration Working Paper, (55-2007).
- Kavousi, E & Kiasi, H (2009): Investigating the role of social capital in development of entrepreneurship, *Journal of Social Science* (40).pp 49-76, in Persian.
- Kim, B. Y., & Kang, Y. (2014). Social capital and entrepreneurial activity: A pseudo-panel approach. *Journal of Economic Behavior & Organization*, 97, 47-60.
- Kim, P., & Aldrich, H. (2005). Social capital and entrepreneurship. *Now Publishers Inc*.
- Larson, A., & Starr, J. A. (1993). A network model of organization formation. *Entrepreneurship: theory and Practice*, 17(2), 5-16.
- Li, P. P. (2007). Social tie, social capital, and social behavior: Toward an integrative model of informal exchange. *Asia Pacific Journal of Management*, 24(2), 227-246.
- Liao, J., & Welsch, H. (2003). Social capital and entrepreneurial growth aspiration: a comparison of technology-and non-technology-based nascent entrepreneurs. *The Journal of high technology management research*, 14(1), 149-170.

- Lochner, K., Kawachi, I., & Kennedy, B. P. (1999). Social capital: a guide to its measurement. *Health & place*, 5(4), 259-270.
- Meek, W. R., Pacheco, D. F., & York, J. G. (2010). The impact of social norms on entrepreneurial action: Evidence from the environmental entrepreneurship context. *Journal of Business Venturing*, 25(5), 493-509.
- Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management science*, 29(7), 770-791.
- Minniti, M., & Lévesque, M. (2010). Entrepreneurial types and economic growth. *Journal of Business Venturing*, 25(3), 305-314.
- Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of management review*, 23(2), 242-266.
- Nunnally, J. (1978). *Psychometric methods*. New York: McGraw- Hill Book Co
- Perry-Smith, J. E. (2006). Social yet creative: The role of social relationships in facilitating individual creativity. *Academy of Management Journal*, 49(1), 85-101.
- Perry-Smith, J., & Mannucci, P. V. (2015). *12 Social Networks, Creativity, and Entrepreneurship*. The Oxford Handbook of Creativity, Innovation, and Entrepreneurship, 205.
- Rabiee, A. & Sadeghzadeh, H (2011): Investigating relationship between social capital and organizational entrepreneurship. *Quarterly Journal of Social Welfare*. (41), 191-221.
- Reagans, R., & McEvily, B. (2003). Network structure and knowledge transfer: The effects of cohesion and range. *Administrative science quarterly*, 48(2), 240-267.
- Sarpong, D., & Maclean, M. (2011). Scenario thinking: A practice-based approach for the identification of opportunities for innovation. *Futures*, 43(10), 1154-1163.
- Schnell, I., & Sofer, M. (2003). Embedding entrepreneurship in social structure: Israeli-Arab entrepreneurship. *International Journal of Urban and Regional Research*, 27(2), 300-318.
- Singh, J. V., Tucker, D. J., & House, R. J. (1986). Organizational legitimacy and the liability of newness. *Administrative science quarterly*, 171-193.
- Smith, D. A., & Lohrke, F. T. (2008). Entrepreneurial network development: Trusting in the process. *Journal of Business Research*, 61(4), 315-322.
- Statistical center of Iran. (2011). *National Population and Housing Census*. Accessed from <http://www.amar.org.ir/>
- Tehran municipality. (2013). *Statistical Yearbook of Tehran city*. Accessed from <http://www.tehran.ir>
- Tehran municipality. (2014). *Atlas of Tehran metropolis*. Accessed from <http://atlas.tehran.ir/Default.aspx?tabid=227>
- Tsai, W., & Ghoshal, S. (1998). Social capital and value creation: The role of intrafirm networks. *Academy of management Journal*, 41(4), 464-476.
- Widén-Wulff, G., & Ginman, M. (2004). Explaining knowledge sharing in organizations through the dimensions of social capital. *Journal of Information Science*, 30(5), 448-458.
- Witt, P. (2004). Entrepreneurs' networks and the success of start-ups. *Entrepreneurship & Regional Development*, 16(5), 391-412.
- Zheng, W. (2010). A social capital perspective of innovation from individuals to nations: where is empirical literature directing us?. *International Journal of Management Reviews*, 12(2), 151-183.
- Zhou, J., Shin, S. J., Brass, D. J., Choi, J., & Zhang, Z. X. (2009). Social networks, personal values, and creativity: evidence for curvilinear and interaction effects. *Journal of applied psychology*, 94(6), 1544.