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## WOMEN ENTREPRENEURSHIP

### *EFFECT OF SOCIAL CAPITAL, INNOVATION AND MARKET KNOWLEDGE*

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# WOMEN ENTREPRENEURSHIP: EFFECT OF SOCIAL CAPITAL, INNOVATION AND MARKET KNOWLEDGE

EMPRENDIMIENTO FEMENINO: EFECTO DEL CAPITAL SOCIAL, LA INNOVACIÓN Y EL MERCADO DEL CONOCIMIENTO

## ABSTRACT

Women entrepreneurship plays a key role in the economic growth. This study investigates the mediatory role of innovation concerning the effect of social capital on entrepreneurship. The sample population included 130 female entrepreneurs in Ilam province, Iran. Using questionnaire as the main means of data collection, the correlation among variables of entrepreneurship, innovation, social capital and market knowledge was evaluated. Data analysis was performed by structural equation modeling in LISREL software. The findings showed that social capital and innovation had a positive and significant effect on entrepreneurship. However, the impact of social capital on innovation was not confirmed.

## KEYWORDS

Women Entrepreneurship; Social Capital; Innovation; Market Knowledge; Ilam Province.

## RESUMEN

El emprendimiento femenino desempeña un rol clave en el crecimiento económico. Este estudio investiga el rol mediador de la innovación en cuanto al efecto del capital social en el emprendimiento. La población muestra incluyó 130 mujeres emprendedoras de la provincia de Ilam, Irán. Utilizando un cuestionario como el principal medio de recolección de datos, se evaluó la correlación entre las variables de emprendimiento, innovación, capital social y mercado del conocimiento. El análisis de los datos se llevó a cabo a través de un modelado de ecuaciones estructurales en el *software* LISREL. Los hallazgos

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 Women entrepreneurship: effect of social capital, innovation and market knowledge

mostraron que el capital social y la innovación tuvieron un efecto positivo en el emprendimiento. Sin embargo, el impacto del capital social sobre la innovación no fue confirmado.

## **PALABRAS CLAVE**

Emprendimiento femenino; Capital Social; Innovación; Mercado del Conocimiento; Provincia de Ilam.

## **INTRODUCTION**

According to the 2011 Census, the education level of women is 2% higher than men (women: 18.4 and men: 18.2). Moreover, according to the last census of Statistics Organization published in spring 2014, 10.7% of active populations of the country were unemployed with a female to male ratio of 2.15. Therefore, further emphasis should be placed on female entrepreneurship, particularly in developing countries, where female entrepreneurs are confronted with several limitations due to disregard for their ideas and involvement in social affairs (Manzanera-Román and Brändle, 2016). To overcome limitations and solve these problems, women should be supported by reinforcing female entrepreneur networks through motivation, presentation of appropriate patterns, access to information resources and opportunities to form committees (Alonso and Trillo, 2014). According to García-Palma and Sánchez-Mora Molinab (2016), a knowledge of marketing and marketing skills is required for female entrepreneurs to be successful in business. Market knowledge guides entrepreneurship orientation (García-Palma and Sánchez-Mora Molinab, 2016). Entrepreneurship plays an important role in innovation and economic development as well as poverty alleviation (Wahba, 2012), and therefore, true appreciation of entrepreneurship and its causes is of utmost importance.

In light of the above points and considering the as importance of this issue, this study seeks to investigate the effect of social capital and market knowledge on female entrepreneurs in Ilam Province through the mediating role of innovation.

## **RESEARCH BACKGROUND**

Putnam (2000) believes that entrepreneurs are able to achieve business opportunities by establishing direct and indirect networks with their partners, active clients and interaction with market individuals or people through connection with social capitals. Entrepreneurs make decision based on information collected from suppliers, distributors, customers and even competitors (Bosma, 2004). Therefore, the application of such information is a variable of its resource reliability, with trust playing a key role in social capital (Djankov et al. 2005, 2006b, Putnam, 2000).

Social capital simply refers to the ability of individuals to work collectively to achieve shared objectives in groups and organizations. It can be obtained through social relations, norms, values and interactions inside a society (Zhang, 2003). In addition, social capital encompasses a set of resources (material, foreign economic, social and knowledge resources) (Dong et al., 2008) and it can be considered as an area to and promote entrepreneurship objectives and overcome resource limitations (Schuster et al., 2010). Social capital is underscored by the relations between factors

such as values, partnership, commitment and trust, as well as relation quality (Bolino et al., 2002).

Economists were the first to describe entrepreneurship in their theories. According to Bovnlin and Pouchin Lee (2006), entrepreneurship environments resemble social capital as a form of capital (financial, human, physical) employed by entrepreneurs for their growth in new investments and allow other manufacturing activities like other supplementary types of social capital (Hitt and Ireland, 2002).

Decklerque (2004) argues that entrepreneurial activities, far from being independent, have to be carried out in a complex environment by business policies, regulations and governments. For such activities to be successful, an entrepreneurial organization must gain public trust at organizational and individual levels for successful investment via communication with other organizations. Exchange costs between individuals reduce the costs of negotiation, information and knowledge (Lyons, 2002; House, 2000). The investment for the establishment of a new business depends on interactions with key partners and information exchange. The success and stability of this establishment determines the way an entrepreneur enters an environment for a new investment (Walter et al. 2007). Accordingly, it can be said that social capital is a strong factor that plays an important role in developing strategies and creating an innovative culture, which can also foster innovation by inspiring trust and reliance on values and leadership principles (Fabová and Janáková, 2015).

Family structures play a critical role in economy. Studies show that female entrepreneurs achieve resources and reputation as well as experience in a working place or personal networks through society and family (Hanson, 2009). In this context, family is regarded as a social capital and a working support. Researchers argue that individual who rely on family consulting for decision makings are more likely to establish a small business and retain their personal control over business (Bennett and Robson, 1999).

Social capital, as an intangible asset (Adler and Kwon, 2002), not only encourage cooperation and innovative interaction, but also facilitate the learning process by increasing operational productivity, especially by weeding out worthless information, building efficient information distribution channels and providing an opportunity for being compatible with productivity. (Broumand and Jalili, 2007). Flour divides social capital into two groups of intra-group and intergroup social capital. Nahapiet and Goushal (1998) proposes three dimensions for social capital (Alvani et al., 2007), which have been adopted in this study. These three dimensions of social capital are:

1. Structural dimension including network condensation and strong relations.
2. Relational dimension including trust and commitment.
3. Cognitive dimension including shared vision and organizational distance.

All these factors contribute to knowledge transition in business and foster innovation (product development and technical innovation). Knowledge transition is closely linked to the capacity of organizations to create innovation (Phene, et al., 2006).

Knowledge transition can enhance innovation capacities in big companies, and social capital is considered as a key factor in knowledge transition that encourage innovation (Zahra and George, 2002).

According to Kai and Jay (2009), structural dimension refers to mutual social relations in which network condensation refers to the proportion of a group of individuals in relation to the real number which those people may have and when real relations are closer to the total value of relations, the network will be more condensed. (Manzanera-Román and Brändle, 2016). The strength of relations also refers to the pervasiveness of both party's relations with each other, which is emotional in nature, and that all of these factors advance knowledge transition among members of an organization (Kimbu and Ngoasong, 2016). Moreover, consistent with the communication dimension, relations among individuals are developed by their interaction and may promote respect, trust and friendship between two organizations, which in turn foster trust and commitment and finally facilitate knowledge transition (Bala Ramasamy et al., 2006). According to Ingram and Roberts (2000), knowledge exchange is facilitated in a trusting environment, and this is achieved when business partners share their knowledge and a trust is forged between supply and demand parties (Ingram & Roberts, 2000).

Cognitive dimension refers to resources that can lead to the identification of levels between individual and organization (Baron, 2004). Organization distance refers to the organizational culture, innovative management models, strategic path and different systems of operation management in two organizations (Wen Lin and Chien Li, 2006). Shared vision embodies organizational objectives, expectations and wishes, and when organizations have a shared vision, it allows mutual communication, breaks down misconceptions and increases opportunities for resource and idea exchange (Seuneke and Bock, 2016).

Considering the above points, it can be said that social capital is a strong factor associated with strategy making, which can create an innovative culture and provoke innovation by inspiring trust and trusting in values and leadership principles (Fabová and Janáková, 2015).

Human and knowledge resources are considered as success factors for entrepreneurship and economic innovation and growth (Kai & Jay, 2009), but other studies suggest that social capital is often considered as the main factor for reinforcing competitive advantage, creating innovation for new investments and establishing a new business, mainly where knowledge and human resource are available (Zhan & Hailin, 2011; Fabová and Janáková, 2015). Social capital as a reinforced resource with strong relations implies that different individuals engaged in a business should have positive expectations of their relations and reduce the costs of controlling and supervising activities by impeding opportunistic behaviors (Kai and Jay, 2009).

Studies have also highlighted the significant role of social capital in entrepreneurial activities, suggesting entrepreneurs are products of their social environment and entrepreneurship is a social act; therefore, existence or absence of

social communications can influence business nature (Chen et al., 2007). Therefore, it can be argued that social capital is a key component of entrepreneurship without which the establishment of a new business might face several problems. Thus, based on previous studies, this hypothesis was considered for this study:

*H1: Social capital has a significant and positive effect on entrepreneurship.*

As noted in the literature, social capital can be positive and significant in relation to innovation and it depends on norms and contracts of social capitals. On the one hand, the factor of trust in social capital can increase the risk for organizational innovation and on the other hand, social capital can create stability for conventional relation and their exploitation in long term. It can also lead to the petrification of norms and defined roles so that organizations are unwilling to change and introduce innovation. However, most researchers believe that social capital has a positive impact on innovation in organizations and businesses (Landry et al., 2002). They believe that social capital is not only influenced by organizational innovation, but also a degree of organizational innovation. Therefore, hypothesis 2 can state that:

*H2: Social capital has positive and significant influence on innovation.*

There are several factors affecting entrepreneurship process (Nagler and Naude, 2016). Innovation also plays an important role in entrepreneurship (Khajeheian and Tadayoni, 2016) such as the motivation to be a pioneer and the ability to create and commercialize processes (Khajeheian, 2013), new products (Emami and Dimov, 2016) and business systems underlying innovations give a distinctive edge to organizations and entrepreneurs. In the transition from industrial society to information and knowledge society, a positive relationship between economic growth, innovation and entrepreneurship can be observed (Laraza et al., 2011; Acs et al., 2002). Innovation can significantly influence entrepreneurial activities as it leads to ease the achievement of resources and the proper application of new ideas and knowledge, which enhances learning level, reduce risks, and simplifies response to customer needs and exploitation of markets (Kafouros et al., 2008).

Entrepreneurship is tightly associated with innovation and they are believed to be indispensable so that the success of the former depends on the latter (Shane and Venkataraman, 2000). Some studies suggest that entrepreneurs select new jobs or establish institutes and organizations not only for economic reasons, but also due for the innovation existing in jobs (Drucker, 1999). Along this line, Shane argues that real entrepreneurs start up new jobs mainly for sake of innovation rather than economic motivations (Shane, 2004). Therefore, in this study, in addition to social capital approach, entrepreneurship has been investigated through an innovation approach.

Schumpeter (1961) was the first to express innovation within a conceptual framework. Basically, he was looking for ways to recognize factors affecting economic growth of states. Within his theory, innovation is considered as one of

these forms: 1) new materials or pieces 2) presentation of new processes 3) creation of new markets, and 4) application of new organizational formations. Innovation culture is defined as the ability of undertaking an innovative measure which leads to the creation of products and services. This ability may be the result of people's talent and intelligence or the outcome of training. According to Drucker (1999), from a managerial point of view, innovation is a change that offers a new dimension of performance. From an organizational view, however, innovation is the exploitation of new ideas (Hesselbein, 2002).

As regards the subject of this study, Zahra and George (2002) found that innovation as an organizational capacity allowed companies to reinforce entrepreneurship in their performances to improve, develop and explore existing competencies and provide new facilities through knowledge attainment. Accordingly, hypotheses 3 and 4 can be proposed for this study:

H3: Innovation has a positive and significant effect on entrepreneurship.

Zhang (2008) revealed that innovation oriented companies towards future-knowledge. Knowledge transition refers to a company's routines and processes which allow analyzing process and interpreting and understanding information obtained from external resources. Zahra and George (2002) posited that the final objective of knowledge was the transition of innovation. The main factor affecting knowledge transition was the origin of knowledge, but the degree of receiver's achievement was associated with the operational knowledge. According to Zhang (2008), as innovation is highly dependent on interaction, innovative activities are a variable of the extent of learning capability, with studies showing that knowledge and innovation transition is difficult, especially with regard to organizational obstacles, (Ahuja & Lampert, 2001). Therefore, in this research, innovation has been discussed from a social capital approach.

in building relationships with their ecosystem, female entrepreneurs possess stronger managerial skills than male ones and these skills enable female entrepreneurs to have a better understanding of the works, and effective negotiation abilities with market actors and stakeholders (Emami, 2017).

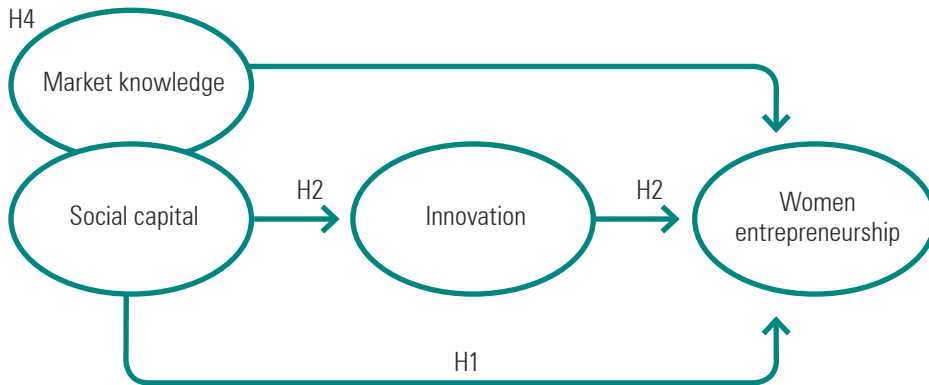
According to García-Palma and Sánchez-Mora Molinab (2016), a mastery of marketing and marketing skills is required for female entrepreneurs to set up successful businesses. Market knowledge guides entrepreneurship (García-Palma & Sánchez-Mora Molinab, 2016).

Some marketing factors also affect the adoption of entrepreneurial attitudes. It seems that greater entrepreneurship in a marketing activity is associated with increased cooperation of employees with diverse mental frameworks. Similarly, the more marketing is divided into different parts of a business and the more it is decentralized, the greater will be the entrepreneurial quality of marketing actors (Seyyedamiri and Faghieh, 2015).

*H4: There is a significant positive relationship between market knowledge and entrepreneurship in women.*



Figure 1. Research conceptual model.



## RESEARCH METHOD

Since the goal of this study is to determine the causal relationship between social capital and entrepreneurship through the mediating role of innovation, it falls in the category of applied research in terms of objective. It is also descriptive, correlative and survey in terms of data gathering. The study population comprised of all female entrepreneurs in Ilam province, Iran (n=200). Based on the study of Morgan and Kerjesi, a sample of 130 subjects was selected. In the analytical model of the research, social capital and market knowledge were independent variables, and innovation and entrepreneurship were mediator and dependent variables respectively. The main data gathering instrument was a self-administered questionnaire designed on the ideas of experts. All variables were scored on a 5-point Likert scale. To evaluate reliability, 30 pretest questionnaires were given to the primary sample and the coefficient of confidence was calculated by Cronbach's alpha. The results are shown in the following table.

Table 1. Reliability of questionnaire.

Variable	N° of items	Reliability
Social capital	9	0/852
Innovation	6	0/816
Entrepreneurship	8	0/809
Market knowledge	4	0/802
Total	27	0/873

The models of exogenous variables (social capital) and endogenous variables (innovation and entrepreneurship) were measured by second and first order

conformational factorial analysis in LISREL software. In Table 2, the structural model of research is shown.

Before testing hypotheses and conceptual model of the research, we had to assess the measuring models of endogenous (innovation and entrepreneurship) and exogenous (social capital) variables. To this this, the measuring models of these variables are presented in Table 2. It was performed using the first and second order conformational factorial analysis, which is one of the conventional statistical methods employed for investigating the relation between latent variables (obtained factors) and observed variables (years).

Table 2. Results of analyzing model of research variables (second-order conformational factorial analysis).

Measuring model	Including variables	$\chi^2$	$df$	$\frac{\chi^2}{df}$	RMSEA
Independent variable	Social capital	46/34	24	1/93	0/085
Independent variable	Market knowledge	36/48	21	1/60	0/08
Mediator variable	innovation	10/60	9	1/17	0/037
Dependent variable	Entrepreneurship	70/91	54	1/31	0/049

The results of second order conformational factorial analysis revealed that measuring models, total number and model parameters of were significant. The proportion indices of measuring models are displayed in Table 3, which indicates the fitness of models.

Table 3. Deductive and descriptive statistics for study population with regard to research variables.

Variables	SD	Observed t-value	Mean	df	State
Social capital	0.661	13.369	3.79	129	Appropriate
Market knowledge	0.852	12.37	2.89	129	Appropriate
Structural	0.806	10.292	3.728	129	Appropriate
Relational	0.820	13.041	3.938	129	Appropriate
Cognitive	0.761	10.590	3.707	129	Appropriate
Innovation	0.636	12.079	3.067	129	Appropriate
Entrepreneurship	0.559	12.199	3.592	129	Appropriate

As shown in the above table, all variables have appropriate policies and distribution, with a mean value of 3 (Table 4).

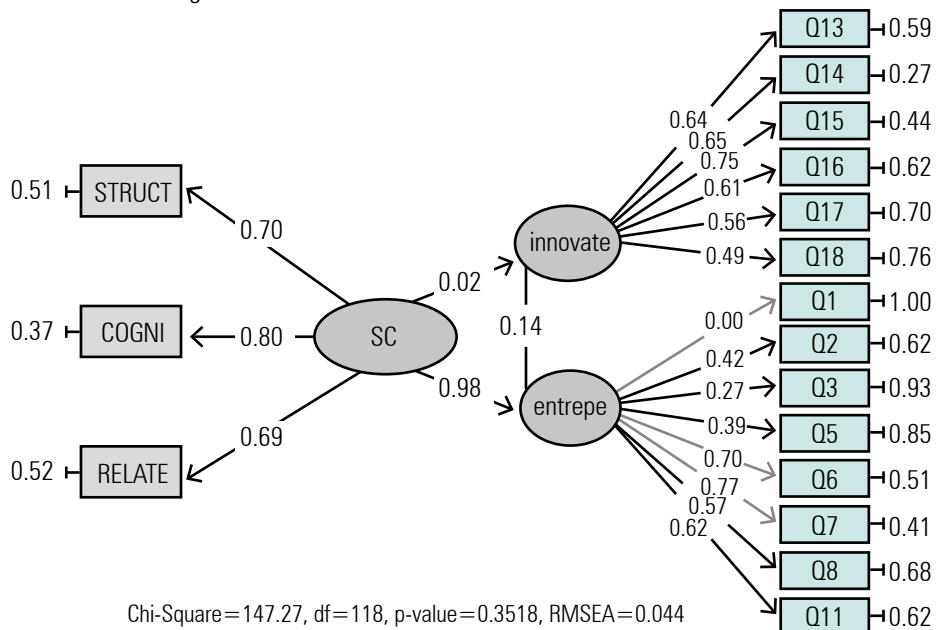
Table 4. Correlation analysis of research variables.

Correlation between exogenous and endogenous variables	Innovation	Market knowledge	Social capital	Entrepreneurship
Social capital	-	-	1	-
Market knowledge	-	1	-	-
Innovation	1	-	0.084	-
Entrepreneurship	0.218	0.501	0.473	1

As can be seen, there is a significant relationship between social capital (exogenous variable) and job endeavor variables and organizational citizenship behavior (endogenous variable) at a significant level of 0.01. The highest correlation belonged to social capital-organizational citizenship behavior ( $\alpha=0.473\%$ ) and the lowest correlation was related to social capital and job endeavor ( $\alpha =0.084\%$ ). The correlative analysis of endogenous variables revealed that job improvement enhanced organizational citizenship behavior.

#### STANDARD ESTIMATION MODEL

Figure 2. Structural model of research in standard solution.

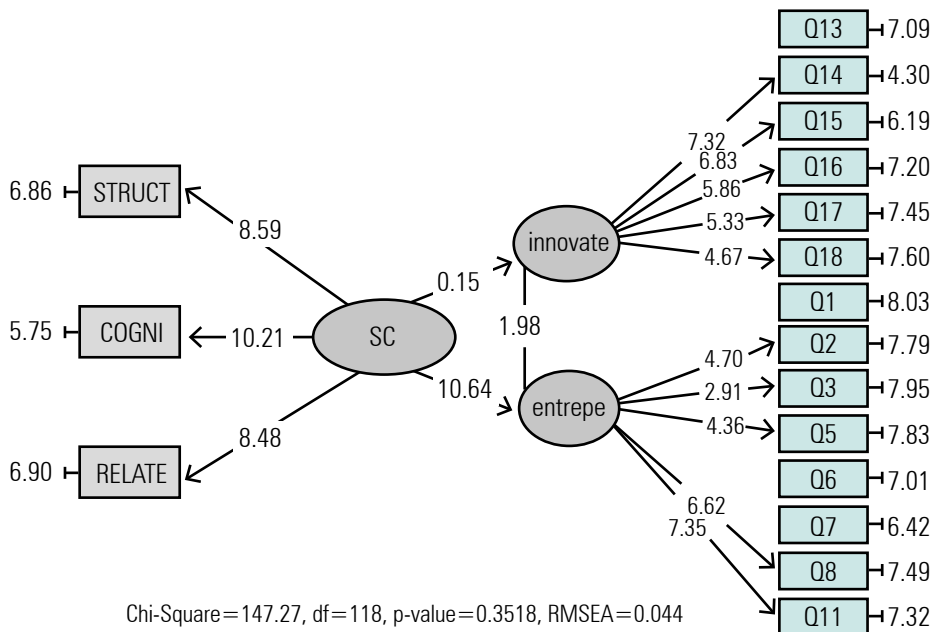


The proportion index indicates that the appropriate fitness of the model and the ratio of  $\chi^2$  on the degree of freedom is 1.24, which is smaller than the standard value 3. The value of RMSEA is 0.044, which is also smaller than 0.08. In the above model, social capital has a positive and significant effect on innovation (0.02%) and entrepreneurship (0.98%). Innovation also has a positive

Table 5. Results of research structural model.

Index	$\chi^2$ /df	CFI	IFI	IFI	NNFI	GFI	AGFI	RMSEA
Quantity acceptance threshold	3<	>0.9	>0.9	>0.9	>0.9	>0.9	>0.9	0.07<
Quantity	1.24	0.98	0.98	0.98	0.97	0.91	0.9	0.044

Figure 3. Research structural models in the state of significant numbers.



As shown in the above model, social capital and innovation have a positive and significant effect on female entrepreneurship in Ilam (which confirms the first and third hypotheses). However, since the significant value was lower than 1.96 in the second hypothesis, regarding the relationship between social capital and innovation was rejected (Table 6).

Table 6 .Summary of research structural model

Relations	Route coefficient		Quantity of t		Results	
	Indirect effect	Direct effect	Direct effect	Indirect effect	Direct effect	Indirect effect
Social capital- entrepreneurship	0.00	0.98	0.15	10.64	No	No
Social capital- innovation	-	0.02	-	0.15	-	No
Innovation- entrepreneurship	-	0.14	-	1.98	-	Yes
Market knowledge- entrepreneurship	-	0.15	-	1.98	-	Yes

## RESULTS AND DISCUSSION

According to the results, there is a positive and significant relationship between social capital and entrepreneurship, which is consistent with the results of previous studies (Chen and et al., 2007) regarding the important role of social capital in entrepreneurship (which confirms the first hypothesis). However, there was not significant relationship between innovation and social capital. These results are dot in agreement with the findings of Landry et al. (2002) about the positive effect of social capital on innovation (which rejects the second hypothesis). Finally, the results suggested a positive and significant relationship between innovation and entrepreneurship, which is consistent with the findings of Zahra and George (2002) (which confirms the third hypothesis).

To foster entrepreneurship culture, a number of different factors need to be taken into account: individual creativity for developing new products and services, risk taking, exploitation of resources and social capital. It should be noted that entrepreneurship is a social issue which is in the results of an entrepreneur's capacities, social resources and strategic actions. In keeping with the findings, entrepreneurship can create a relationship between social capital and entrepreneurship competencies.

Social capital is a key component of entrepreneurship without which a business cannot be established. Nowadays, most businesses have changed the focus of their activity from social dimension to trust, share norms, principles and values through social networks. All of these factors contribute to long-term success and stability of organizations and open up new opportunities for entrepreneurship.

Whenever an individual suggests an idea for simplifying suggestions or digits processes in an organization or business, this inspires trust and self-confidence in values, principles and structure of the business. The free flow of information in companies and organizations can influence entrepreneurship and innovation

though social networks and mutual communication. Networks can be active at different levels including interaction among employees, interaction with different companies and interaction with society and suppliers. Entrepreneurs can seek for strategies to predict innovative business at their business level through social communications and exchanges. A series of teams and social networks in businesses are required to plan a new market exploration, and the flexibility of individuals in new structures and greater authority in decision making can increase the level of entrepreneurship culture.

Self-actualization potentials, desire for independence and self-employment, social status and leadership role, among others, are main incentives for women entrepreneurs in Ilam. The point is that culture of a society forms these incentives. The culture involves risk taking, his lover employment. Respect for entrepreneurs in a community can be a sufficient stimulus for establishing a business. However, supporting policies and public and media advertising can also be effective and decisive. A cultures that encourages risk-taking, competition, ambiguity tolerance, and acceptance of success or failure allows individual to personalize their motives for entrepreneurship. Today, many rural areas have focused on development of female entrepreneurship in the community. Tourism, rural industries, traditional food, and other areas can be undertaken by rural women and attempts must be taken to resolve deficiencies and gaps

Measurements of entrepreneurial resources can be divided into four groups: (1) Products and services supplied in the market, (2) investments, (3) technologies, and (4) management system.

Although prior knowledge may be of particular importance, acquiring new knowledge of the market and its related adaptive strategies are essential for exploration and exploitation of opportunities. According to results, marketing knowledge skills is a prerequisite for female entrepreneurs. In particular, all entrepreneurial businesses need to consider all dimensions of entrepreneurial marketing.

The stronger presence of women in businesses is an undeniable fact in Iranian society and the city of Ilam. Accordingly, entrepreneurial activities are essential to help the growth and development of the country. Despite this fact, women in Iranian society are usually engaged in professions which are characterized by low capital, temporality and lower wages (Radovic Markovic et al., 2013, 2016). In other words, low economic sectors are often host to women. Therefore, in the global arena, creative, innovative and inventive women are source of great changes in industrial, manufacturing and services sectors. They fuel the economic development, industrial expansion and investment incentives. cause of employment, the main option for technology transfer and removal of market distortions and constraints in communities has been explained. Therefore, given the role of women in national economic development and the need to deal with unemployment crisis, the female entrepreneurship needs to be developed so that they can contribute to creation of business and job opportunities and help ease some of the problems in today's economy.

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