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# Social Capital and Entrepreneurial Success in Female Entrepreneurship

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**Abstract:** At present China is in the period of a market economy and modern social transition. Why has the number of women entrepreneurs increased? What leads women to leave their jobs and start their own businesses? Social capital is fundamental resources for women to be self-employed, with key resources of mobilization in female entrepreneur being directly determined by her amount of social capital which concerns corporate existence and business development. However, for a longtime, due to structural and other factors, opportunities are extremely limited for women access to social capital and gender differences in social capital set women entrepreneurs in a marginal status. Therefore, The purpose of the study was to identify the perceived personal characteristics and social capital within each woman who and how pursued entrepreneurship. Constructing social capital and enhancing the organizations network resources for the expansion of women entrepreneurship space has become essential in the context of constructing harmonious society.

Keywords: Social capital, Female Entrepreneur, Entrepreneurial Motivation, Entrepreneurial Success

## 1. INTRODUCTION

Women are a vital Chinese business resource. Women operating business is not only the needs for deepening reform, but also the manifestation of adapting to social changes and their active participation in social development. The fortress of traditional Chinese business, which largely excludes women, appears to be surrounded by the “cloud” of a growing and necessary group of women who are a vital resource amidst Chinese’s otherwise shrinking labor market. The critical question is “Are these institutional and regulative changes enough to enable this highly educated and talented group of women to prevail?” Women consumers played a critical role in the emergence of the digital economy of Chinese and are now playing a key role politically, as Chinese females are now occupying the once all-male turf of the Chinese diet. Perhaps, women entrepreneurs will also play a role in a much-needed transformation of the Chinese business landscape.

Women have distinguished themselves with outstanding success in business and have done so with motivating personality characteristics. Identifying the perceived personal characteristics that each woman feels or believes has enhanced her success provides future women entrepreneurs with a reference of entrepreneurs personality characteristics <sup>[1]</sup>. These contribute to the understanding of successful female entrepreneurs and to the knowledge of women’s experiences of persistence, successful risk tolerance, vision and self-confidence in particular. Knowing how successful women entrepreneurs have coped with the challenges and risks involved in a business assists other women in similar challenges. Findings from this study identify those perceived personal characteristics identified by individual successful women entrepreneurs that contributed the most to their successes. The study identified those perceived personal characteristics and explored patterns or correlations among the ideas expressed by the women interviewed.

The government and scholars are paying more attention to the female entrepreneurship all around the world and women now play an increasingly important role in entrepreneurial activity due to the rapid economic growth and internationalization. A GEM (Global Entrepreneurship Monitor) China 2007 study, which including 41 Participating countries, stated that the TEA(Total Entrepreneurial Activity) index for Chinese female was sixth highest, showing that Chinese female Entrepreneurial activities are on the rise. In fact, women

entrepreneurs represent only 20% of the all Chinese entrepreneurs even though 98% of these women are ultimately successful (Shi, 2005). Thus it arises a growing level of interest in mainland Chinese women. Entrepreneurial activity and factors that can explain why and how they started a business based on Chinese cultural features.

## 2. LITERATURE REVIEW

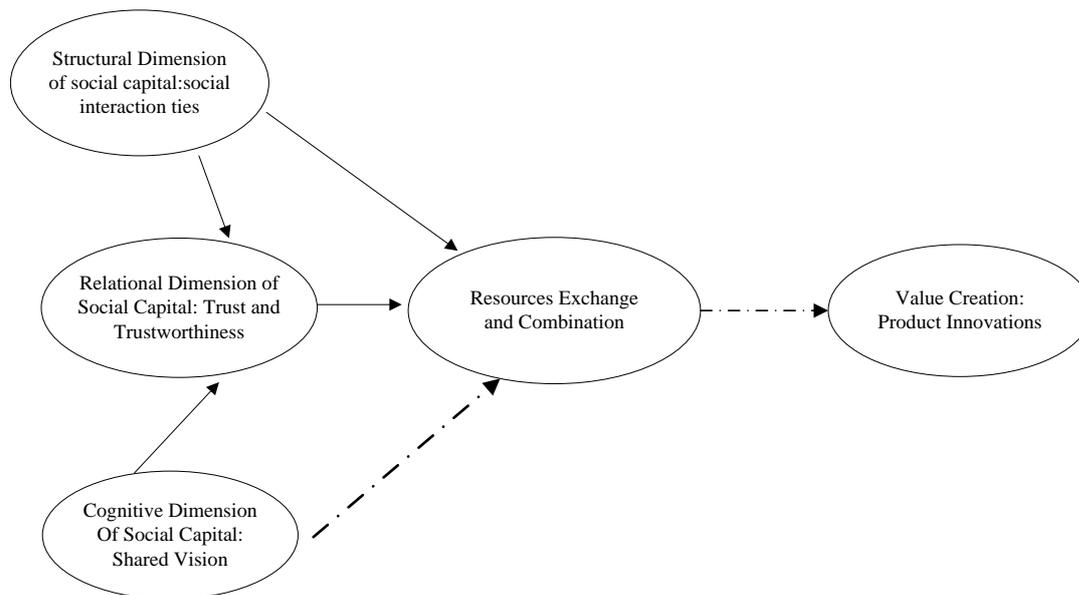
The literature examines the communication networking behavior of entrepreneurs and the links between networks and social capital. Communication networks are the patterns of interactions created by message exchange between communicators (Monge and Contractor, 2001). The role of networking has become an important aspect of entrepreneurial research over the last three decades as networks provide the critical elements of trust and support for the establishment of new businesses and extend their potential resource base (Aldrich and Zimmer, 1986; Birley, 1985; Carsrud and Johnson, 1989; Burt, 2000). These networks enhance the entrepreneur's likelihood of success. Other studies have shown that networking is essential to survival (Brüderl and Preisendörfer, 1998; Burt, 2000). It is also recognized that networks evolve overtime (Dodd, Anderson and Jack, 2004).

Social capital is defined as “who you know”, while human capital is defined as “what you know” (Krebs, 1999; Burt, 2000). Portes (1995, 2000a) defines social capital as having the capability to secure Resources or benefits from social networks or other social structures. The amount of social capital that a person has depends on the type of network. And the volume of social capital that people within a network have (Bourdieu, 1986) Communication networks produce both the social and human capital that is essential to entrepreneurs. The amount of social capital that a person has depends on the type of networks as well as the volume of social capital that people within a network have (Bourdieu, 1986). Social capital is also described as an essential determinant of entrepreneurial activity (DeBruin and Dupuis, 2003). The term social capital has been defined in a number of ways (Adler and Kwon, 2002) and is broadly defined as an asset that inheres in social relations and networks (Leanna and Van Buren, 1999), but a consensus definition has been arrived at by Portes (1995, 2000). He describes social capital as having the capability to secure sources or benefits from social network so rather social structures.

The relational dimension of networks is also recognized by Nahapiet and Ghoshal (1997) who identify two other dimensions of social capital—structural and cognitive. The structural dimension of social capital is characterized by patterns of social interaction that allow an entrepreneur to use personal contacts to their advantage. The relational dimension refers to the concept of assets that are found in these interactions, such as trust and trust worthiness. Trust may encourage people to support an entrepreneur's activities in a way that might not be possible if trust did not exist (Burt, 2000). The cognitive dimension of social capital is characterized by a shared understanding between people within the network, which in turn facilitates a shared understanding of a vision or goal. This shared understanding can provide much needed support for an emerging entrepreneur [2].

Tsai and Ghoshal (1998) combine these dimensions into a model (Figure I) that describes a combination and exchange of resources (or information) within a network that ultimately generates new sources of value, innovation, or support for the entrepreneur's activities. They view social capital as encompassing many aspects of a social context, such as social ties, trusting relationships, and value systems that facilitate the actions of individuals located within a context [3]. Audretsch (2002) recognizes that “entrepreneurship is a social role, and is thus embedded in a social political and cultural context in that to start a new business social relationships must be activated and new ones created”. According to Lin (2001), a number of factors determine the value of social capital or an entrepreneur. These factors include the circumstances when the network is used, the composition of the social structures and networks that an entrepreneur belongs to. His or her location in the network relative to

other members, and the nature of the relationships they share. The notion of such networks as are source allows entrepreneurs to overcome the constraints they face by calling on wider networks of expertise, experience, and physical resources, which then extend the resources available to the new venture <sup>[4]</sup>. In examining the success rate of start-up entrepreneurial companies in terms of survival and growth, the more successful entrepreneurs will be those who participate in a network with other entrepreneurs and receive help or emotional support from their social and personal networks (Audretsch, 2002). These other members of the entrepreneur's social network are sometimes referred to as "co-preneurs". Portes (1995) described the social capital derived from these networks as network-mediated benefits rather than benefits derived from the immediate family network. In other words, there are benefits and resources that an entrepreneur may utilize as a result of participating in a wider network. However, Bourdieu (1986) outlines the potential benefit of utilizing family relationships as being one that benefits both the entrepreneur and the relatives.



**Figure.1 Model of Social Capital and Value Creation (Tsai & Ghoshal 1998)**  
(Solid lines indicate significant paths, Dotted lines indicate non-significant paths)

### 3. GENDER DIFFERENCES IN ENTREPRENEURIAL NETWORKING

Aldrich's (1989) meta-analyses show that women entrepreneurs have different personal and social networks from men. This finding has far-reaching consequences on their rates of business formation, survival, and growth. Aldrich (1989) explores the characteristics of women's networks across work, the family, and organized social life and finds evidence suggesting that divisions and barriers within spheres significantly limit the reach and diversity of women's networks. Women may even view social relationships in a significantly different fashion from men, by placing a greater focus on responsibilities and obligations. Males may see situations in terms of what they may gain from it and are willing to subordinate affective considerations to ones of effectiveness <sup>[5]</sup>. Aldrich research suggests that women could be more effective networkers by deliberately invading male turf whenever possible. While female networks will create strong ties and promote social support, they do not have the same access to centers of power controlled by men, so Aldrich suggests that women must move into the male areas. This is echoed by Barr (1998), who suggests that when women build their own social capital through networks, they can fall behind unless they "borrow" social capital through tapping into men's networks.

In the era of knowledge economy, intangible capital has been a main kind of capital models, playing very

important role in economy life. How about the relationship between women and the new mode of capital during the development of the knowledge economy? Are they good at making use of the new capital to explore their business? The article mainly analyzes from the two types of intangible capital to disclose the relationship between intangible capital and women entrepreneurs. It is of obvious positive relation to the improvement of business performances whether the social-natured intangible capital, or the operating intangible capital. Therefore in knowledge economy, women should hold and make use of intangible capital, improving the business performances of enterprises.

There is a lot of interest in China on the commercialization of university science, particularly the creation of spinout companies from the science base. But study of female science entrepreneurs is very few. How to promote female academics to spinout companies is a valuable problem. That female academic entrepreneurs to transform the process of influencing factors is very complex, this study driven by human capital, social gender role theory, conducts on the exploratory case study, found that female academic entrepreneurs compared with the general academics more obstacle factors, characteristics of entrepreneurial process more difficult. The study enriched the academic entrepreneurship theory, entrepreneurial role transformation of female academics, to the university and government related science and technology entrepreneurship policy has important reference value<sup>[6]</sup>.

It is possible to approach the notion of social capital from two perspectives: the relational level and societal-group level. The first perspective focuses on how individuals reach the sources of their networks and use them. For example, a person may mobilize his or her networks to find a better job or acquire a better status. The societal-group level is generally accepted as a kind of collective asset, which contributes and supports activities towards group integrity, solidarity and trust. With regard to social capital at the relational level, I focus on how female entrepreneurs activate their networks for accessing resources, what type of resources they access through their personal contacts and what returns they expect from their reciprocal relations. In other words, I assess the concept of social capital as networks of personal contacts and reliance on those contacts for business purposes. Thus, the notion of social capital is constructed as a network of personal contacts and trust relations that ultimately shape these contacts<sup>[7]</sup>. Self-employed women have lower levels of weak-tie networking than their male counterparts (Katz and Williams, 1997). Therefore, female entrepreneurs build closer trust relationships with their informal resources, especially with their families, relatives and friends, since their networks tend not to include more formal agents and information sources. Women's lack of access to formal business networks means they create different networks from those of men (Ibarra, 1993), which can be described as an 'integrated network' (Brush, 1992). Aldrich et al. (1989), too, describe women's networks as networks organized around spheres of work, family and social life. Similarly, Neider (1987) reports that women owned businesses are more likely to be informally structured.

Briefly, we may conclude that social capital is the sum of resources used by female entrepreneurs in the stages of initiation and maintenance of the business, and is acquired via their networks, which are shaped by reciprocal trust relations based on strong and weak ties. Female entrepreneurship in China is influenced by the structural transformations that took place following the economic crisis of the 1970s and the structural adaptation policies offered by international financial institutes such as government and bank. Prior to the adaptation of these policies, women were supposed to fulfill traditional social and economic roles that are commonly confined to the house and family responsibility<sup>[8]</sup>. The low participation of women in urban economic activities was attributed to the role they played in the family, the preferences related to this role and the patriarchal relationship in the family in general (Kandiyoti, 1988).

One of the strategies employed in China to increase the household income has been supporting small business enterprises managed by women. The support for the small business entrepreneurial activities of women

and the rise in the tendency of women to establish small businesses follows from various reasons <sup>[9]</sup>. The first reason to initiate a small business rely on their own competence is to provide an extra income for the household. The second is the rise in women's desire to work in any paid job in tandem to the decrease in the household income. However, a woman with insufficient training or inadequate skills has very little chance of finding a job. For this reason, working in her own business is considered to be a more appropriate option for a woman who wants to work but cannot find a paid job. In addition to the 'push' factors considered earlier, there are also certain 'pull' factors, such as the potential of women to possess more libertarian and egalitarian values. 'Pull' factors in initiating a business apply only to a small proportion of the women in Turkey, commonly from well-educated middle- and upper-class families in metropolitan areas <sup>[10]</sup>.

In this research, it was found that the social capital of the female entrepreneurs is predicted significantly by the properties of socio-cultural entrepreneurship, social status (local or external), professional experience, age, professional training, entrepreneurial personality characteristics and pull factors. Having a high social capital is firmly explained by the properties of socio-cultural entrepreneurship and migration status. It is revealed that the social capital should be considered as a combination of informal social networks and trust relations within and outside the group <sup>[11]</sup>. Thus, the results of the logistic regression analysis imply that the solid context mutually dependent group relations, accord from the local status are related to the socio-cultural properties of the female entrepreneurs. Social capital qualities may be fed by relational, collectivistic-traditional group experiences to a greater extent. It is probably due to such qualities that the solid networks of East Asian communities giving priority to the family and Confucian value system have been considered as the key components of their long-term economic development (Begley and Tan, 2001; Hofstede and Bond, 1988). We should also remember that the work values of a society are forged by the specific culture of that society. In other words, the resources of social capital may vary with respect to societal culture. Studies on western cultures also conclude that the networks developed by women often comprise women (Aldrich et al., 1989) and womanhood necessitates caring for the family, children and close friends (Hughes, 2003; Williams, 2004). Hence, the feeding of the social capital of women by collectivistic tendencies appears to be a general consequence pertaining to female entrepreneurship somewhat universally. That professional experience and age can predict social capital to a higher extent is an expected result and due to several reasons <sup>[12]</sup>. First of all, as the mean level of professional experience increases, both the social milieu of the individuals and their social networks expand, and consequently their knowledge and skills pertaining to the business increase as well. It is also expected that the number of contacts both of strong and weak ties and the depth of the relations increase with advancing age. To sum up, age and professional experience are variables that go in tandem.

Undergoing professional training can increase professional skills, professional expectations and the abilities of the entrepreneurs. All these will allow a female entrepreneur to establish profitable social relations and, by using the networks actively, she increases her self-confidence, self-proficiency and establishes full control of her enterprise. After all, it is obvious that the female entrepreneur with an increased level of expertise and proficiency can mobilize her environment more efficiently for her own purposes.

In this study, we referred to two factors in explaining low social capital, entrepreneurial personality characteristics and pull factors. As stated in the previous discussion, entrepreneurial personality characteristics are properties exhibited by the female entrepreneurs of middle-or upper class origin and with higher educational attainment. It may be argued that the reason for this group to initiate their own enterprise lies in the effects of a division of labour based on gender and discrimination in Mersin, and a restriction of available work sectors in general. We can say that this group initiates its own enterprise for reasons such as the will to work freely, the expectation of gaining independence, the desire to be productive and balancing business and family life (pull factors). They are thus individuals who initiate their own businesses with the help of entrepreneurial personality

characteristics such as risk taking, self-confidence and innovativeness<sup>[13]</sup>. It is possible these women who have attained a certain economic and social position have more limited social networks and mobilize the resources in social networks for relatively fewer business reasons compared to the other group. The personal contacts of the local group used to establish the business would be based less on a spirit of solidarity and trust than those of the external women, who rely on group relations to a higher extent.

#### 4. CONCLUSIONS

The socio-cultural entrepreneurial properties coincide with high social capital for female entrepreneurs. These socio-cultural entrepreneurial properties automatically permit the female entrepreneurs to form informal contacts in their networks at a relational level. The role of the family of the entrepreneur in the community and of their specific culture contributes to the mobilization of the structure forming the social networks. In this context, collectivistic, mutually dependent community relations are the main elements effective both in female entrepreneurship and in social capital. On the other hand, the study found that women entrepreneurs with higher levels of education from the metropolitan areas of China are more strongly connected to modernization and the individualistic entrepreneurial properties underlying urbanization. Individualistic personality characteristics, in accordance with the predictions of modernization in China, are increasingly part of the value system. It is found that these urban women set up their enterprises for motives of independence, self-confidence and creativity, and they have less need of resources of support from mutual dependence.

The social relations and group relations of women, at least those that relate to their supposed duties towards their families and children, prompt the question as to what extent their socio-cultural entrepreneurial characteristics are also found in other societies and cultures. This study may be considered as a contribution towards a better understanding of women entrepreneurial characteristics in a culture that simultaneously embeds both eastern and western values.

Additionally, a number of factors further contributed to our understanding of the social capital of female entrepreneurs. A middle aged local with professional experience, especially one who has initiated the enterprise on the basis of the push factors, has higher levels of social capital. The continuities in the relational networks of female entrepreneurs and the intensification in the social networks helping them to achieve their goals can increase with time. Consequently, the age and professional experience of a female entrepreneur are also correlated with high social capital. Professional training is also a significant tool that should be used in social networks more actively to increase cooperation among women as well as to give them the initiative to launch and maintain their own enterprises.

It is clear that the female entrepreneurs in Beijing, China have constructed strong-ties-based social networks with close connections with family members, relatives and other women, and they have benefited from these networks as sources of their social capital. The fact that women are excluded from the male-dominated work networks and are obligated to put up with gendered work relations (Moore and Buttner, 1997; Weiler and Bernasek, 2001) means that women in both developed and developing countries are forced to set up similar kinds of networks in order to acquire extra resources for their businesses. The variables used in this study as predictors of social capital may be considered in future studies, which should be conducted with samples of female entrepreneurs in both western and non-western societies. A future study could include male entrepreneur groups and examine the gender factor in acquiring social capital on the road to entrepreneurship.

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