



Study of Effect of Cognitive Aspect of Social Capital on Recognizing Entrepreneurial Opportunities in Small and Medium Companies

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Abstract: *The paper's aim is to study the effect of cognitive aspect of Social Capital on recognizing entrepreneurial opportunities. The research method based on collecting one data is descriptive and correlative. population is 200 respondents of Alborz Insurance Co. while 123 is sample size. Cronbach's Alpha coefficients of all considered variables are more than 0/7. questioner used to collect data for five hypotheses. normalized testing by Kolmogorov-Smirnov and analysis with Pearson correlation coefficient and regression tests used for hypotheses. there is a positive and significant relation between cognitive aspects of social capital (including language, shared codes, common narrative) and stages of recognizing entrepreneurial opportunities (including discovery and formation), it is also possible to significantly predict some changes of entrepreneurial opportunities via cognitive aspect of social capital, in other words, via increase and decrease of cognitive aspect of social capital, recognizing entrepreneurial opportunities increases and decreases as well.*

Keywords: Social capital, Cognitive aspect, Recognizing entrepreneurial opportunities

I. Introduction

The present paper aims to investigate the impact of social capital aspects on the recognition of entrepreneurial opportunities in the Alborz province insurance companies. The research results indicate that the cognitive aspects of social capital positively affect entrepreneurial opportunity recognition. In general, cognitive aspects denote resources that create a system of meanings among groups [18]. The ability to recognize opportunities is one of the most important and widely studied characteristics of successful entrepreneurs which contributes to social and individual wealth [4]. In this light, much research has focused on the perceptive process of opportunity recognition and factors affecting it [8]. There are many terms that describe the recognition of entrepreneurial opportunities such as opportunity discovery [11,21], opportunity creation [4], and importantly opportunity recognition [8,24]. According to Ozgon, opportunity recognition involves discovering an idea for creating a new business or improving a new business. Lumpkin and Lichtenstein (2005) define opportunity recognition as the ability to recognize good ideas and turn them into a business concept that brings about financial value [9]. Creativity-orientation is one of the most comprehensive patterns represented in relation with the process of entrepreneurial opportunity recognition.

II. Literature Review

A. Cognitive aspects of social capital

Cognitive social capital refers to the capability of actors to develop mutual interpretive frameworks based on language, codes and narratives [18]. Shared language results in a more efficient relationship among the members of an organization. Language is a means to exchange information, ask questions, and perform activities in a community, hence it has a direct and yet ambiguous impact on social relations. On the other hand, shared codes divide sensory data into perceptual groups and provide a framework for observing and interpreting the environment. In order to mix gained information via social interaction of information, it is necessary for different groups to have shared codes and language.

As effective as shared language, shared narrative is a powerful tool in creating collections, transacting information and protecting collections in order to interpret experiences based on similar methods (Morgan, 1986) thus increasing the employee perception and improving the ability to predict the behavior of other co-workers [13]. With shared perception, lateral awareness increases and unexpected behaviors of organization members decrease resulting in higher efficacy [29].

B. Recognition of entrepreneurial opportunities

Lampkin et al. (2001) identifies two stages in the process pattern of opportunity recognition: discovery and formation. The discovery stage involves the development of a new idea or opportunity and the formation stage includes putting an idea or opportunity into effect [17] leading altogether to entrepreneurial opportunity recognition [9]. The discovery stage is itself comprised of three steps: preparation, incubation and insight.

First stage: discovery

Preparation refers to the knowledge and experience which are needed in the process of opportunity discovery. Preparation is both a conscious attempt at development efforts in a certain domain and unconscious knowledge and experience generated irrespective of opportunity discovery [16]. Occupational/industrial experience, market knowledge & technology, social networks, search based on awareness, etc. are among domains that are of interest to entrepreneurs and form the inputs of the preparation stage [15].

Incubation denotes the part of a non-directional and ongoing opportunity-identification process in which entrepreneurs contemplate an idea or a specific problem. In this stage ideas are at the lowest level of consciousness and problem-solving is not done based on a systematic method [6]. In this unconscious stage, failure to finding a good solution might cause despair, however, the concern will not be forgotten, rather it will get more important in the unconscious mind [5].

Insight refers to the “eureka” moment in which the main solution comes into the mind unexpectedly. Insight is not usually a “passive event” and usually happen during the process of opportunity recognition [7]. In other words, entrepreneurial insight refers to an idea formed through interaction with colleagues, friends, etc.

The formation stage involves two steps: evaluation and evaluation.

Second stage: formation

Evaluation refers to the second process of opportunity recognition or better said the formation stage. This process observes whether the concepts generated in the discovery stage could be put into practice; or the entrepreneurs have the ability to put the concepts in practice; or whether the discovered idea is indeed new and worth pursuing. Evaluation may also include the feasibility analysis of ideas, financial feasibility analysis, feedback of business entities and other social networks [25]. In other words, evaluation is an internal process in which an entrepreneur asks himself whether a given business concept is valuable enough to pursue. According to Csikszentmihalyi, evaluation is potentially the most challenging stage. The entrepreneur should be honest with himself, since an idea that seems interesting at first may not create a real business opportunity [28].

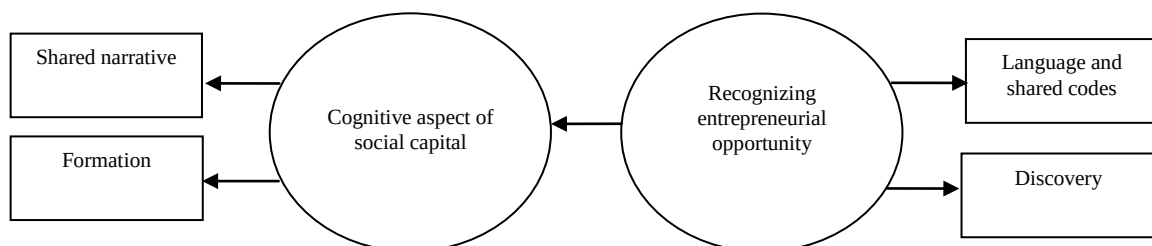
Elaboration involves paying attention to details for “capturing value from the creative act” [12]. Evaluation represents selecting options, finalizing choices, and organizing resources -- the most time-consuming part of the process [6]. Provided the business idea was viable following the evaluation stage, elaboration may involve detailed planning activities to reduce uncertainty [16].

Table 1: Conceptual pattern and hypotheses

Index	Main components
Shared language, shared codes, shared values and organizational goals Shared narrative including perception and cooperation based on shared myths	Cognitive aspect of social capital
Discovery includes preparation, incubation, insight Formation includes evaluation, and explanation of details	Recognizing entrepreneurial opportunity

As it is mentioned in the represented conceptual pattern, cognitive aspect of social capital (independent variable) has a positive and significant effect on recognizing entrepreneurial opportunity (dependent variable).

Figure 1: conceptual model of the research



Source: Nahapiet and Ghoshal(1998)

Source: Lumpkin and colleagues (2001)

III. Research Methodology

In terms of purpose, the present paper is applicable, and in terms of method of collecting data, it is descriptive and correlative. Statistical population of the research is 200 employees and managers of Alborz Insurance Companies located in Tehran. Sample size includes also 123 people. In order to collect information, a questionnaire is used. This questionnaire includes 27 questions and is made up of two parts, part one includes questions related to demography (6 questions), and part 2 includes questions related to research model (21 questions). Sources used in the questionnaire are all valid, moreover, Cronbach’s alpha coefficients of all variables are higher than .7/, therefore research questionnaire has the necessary reliability.

Table 2: Sourced for providing the questionnaire and Cronbach's alpha coefficients of variables

Cronbach's alpha coefficients	Source	Components	Aspects	Variables	Number
0/805	Nahapiet and Ghoshal (1998)	Language and shared codes	Cognitive aspect	Social capital	1
0/783	Nahapiet and Ghoshal (1998)	Shared narrative			
0/794	Lumpkin and colleagues (2001)		Discovery	Recognizing entrepreneurial opportunity	2
0/816	Lumpkin and colleagues (2001)		Formation		

IV. Data analysis and conclusion

68 of respondents were women and 53 of respondents were men and 2 people did not answer this question. In terms of age group, 16 respondents were older than 45, 4 respondents were between 41 to 45, 16 respondents were between 36 to 40, 62 respondents were between 31 to 35 and 20 people were between 25 to 30 and finally 5 respondents did not say how old they were. In terms of education, 2 respondents got PhD, 12 respondents got M.A., 54 respondents got B.A., 26 respondents got certificate of higher than diploma and 28 respondents got diploma. One person did not answer this question. In terms of job experience, 17 respondents had an experience between 17 to 22 years, 20 people had an experience between 11 to 16 years, 46 people had an experience between 5 to 10 years, 37 people had an experience less than 5 years and 3 people did not answer this question. In terms of organizational position, 92 of them were employees, 26 of them were managers, and 5 of them did not answer this question.

Table 3: Features of sample demography

Frequency	Categorizations	Variable	Frequency	Categorizations	Variable
28	Diploma	Education	53	Men	Sex
26	Higher than diploma		68	women	
54	B.A.		16	45 years old	age
12	M.A.		4	41 to 45 years old	
2	PhD				
92	Employee position	Organizational position	16	36 to 40 years old	
26	Management position				
17	Between 17 to 22 years	Job experience	62	31 to 35 years old	
20	Between 11 to 16 years				
46	Between 5 to 10 years		20	25 to 30 years old	
37	Less than 5 years				

Before using Pearson correlation coefficient and multiple regression tests, Kolmogorov- Smirnov test is used to show that these two tests are normal and could be used for the hypotheses of the test.

Table 4: Kolmogorov- Smirnov test

	Recognizing entrepreneurial opportunity	Social capital
Number	121	122
Mean	42/0744	37/5328
Standard deviation	7/07362	71/141,06
maximum difference	0/109	0/075
	0/058	0/050
	-0/075	-0/075
Kolmogorov- Smirnov statistic	1200	0/831
Decision criterion	0/112	0/494

The result of Kolmogorov- Smirnov statistic represented in table 4 shows the normal distribution of sample. In order to study hypotheses of the research, Pearson correlation coefficient test is used which is described here:

Table 5: Results of Pearson correlation coefficient test for cognitive aspect of social capital and recognition of entrepreneurial opportunities

		Discovery	Formation
Language and shared codes	Correlation coefficient (r)	0/814	0/887
	Significance (sig)	0/000	0/000
shared narrative	Correlation coefficient (r)	0/514	0/660
	Significance (sig)	0/000	0/000

Results of Pearson correlation test represented in the above table shows that there is a positive and significant relation among all hypotheses of the research. According to results, language, shared codes and shared narrative have a positive and significant effect on recognizing entrepreneurial opportunities. In order to arrive at a more comprehensive model for predicting changes of dependent variable by different aspects of independent variable, multiple regression test is used. The results of this test are represented here:

Table 6: R square and adjusted R square in regression model

Adjusted R square	R square	Correlation coefficient (r)
0/858	0/860	0/927

Table 7: ANOVA

Sig	F	Mean square	Df	Sum of squares	Variable
0/000	362/478	2581/911 7/123	2 118 120	5163/822 840/508 6004/331	Regression

Table 8: Standard and non- standard coefficients of cognitive aspect of social capital

Sig	β	SEB	B	Variable
0/000	0/839	0/080	1/595	Language and shared codes
0/001	0/142	0/076	0/257	Shared narrative

The results represented in table 8 show that language and shared codes and shared narrative of cognitive aspect of social capital have positive and significant effect on recognizing entrepreneurial opportunities. According to results of ANOVA, since Sig. is less than .,5, this model is able to identify effective factors.

V. Suggestions

- Other researchers can use other models of social capital in order to study effects of other aspects of social capital on recognizing entrepreneurial recognition.
- Other researchers are better to develop the statistical population to arrive at more reliable results which could be generalized.
- Researchers can assess role of social capital on different stages of entrepreneurship.
- Future researchers are better to put emphasis on levels of individual entrepreneurship.
- To arrive at valid results, it is better to consider control variables such as organizational atmosphere, individual features and so forth.
- Study of real causes of lack of social capital in both governmental sector and private sector is better to be done.

VI. References

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