DISCONTINUITY BETWEEN ENTREPRENEURSHIP DEVELOPMENT AND SOCIAL CAPITAL IN RURAL AREAS

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The aim of article is to present literature review provided as the current outlook which is fixed in the clarified concept of entrepreneurship by identifying entrepreneurship development content in the context of social capital formation in rural areas. The comprehensive theoretical review opens the link to entrepreneurship determinants of entrepreneurial process, where entrepreneurial orientation and entrepreneurial results differ according the entrepreneurial activities, local resources, up to entrepreneur’s knowledge, operational process and social-cultural environment. High intrapreneurship in small scaled business redeems social affairs of rural population. The main point of scientific findings are concentrated on entrepreneurship development determinants attached to identification discontinuity between entrepreneurial behaviour and activity perspectives in such different entrepreneurship development levels – entrepreneurship (independent new business), intrapreneurship (corporate business with local resources and social capital) and exopreneurship (external business networks and investments).

Key words: discontinuity, entrepreneurship, entrepreneurship determinant, entrepreneurship development, entrepreneurial orientation, rural business, social capital.
JEL codes: I230, J240, M130, R510.

Introduction

Entrepreneurship theory provides guidelines, specifically through definitions and concepts covering it domain creativity and innovation. Some references accept entrepreneurship as a strategic management tool to improve rural business entities position in the world markets, and only some of them make the point that entrepreneurship needs radical interpretation in specific field of social life. Under deep crisis of social and economic activities in rural areas entrepreneurship is becoming a purposive tool to stimulate societal activity and random investments to innovation of SMEs in rural areas.

More significant analysis and results, for developing rural regions, rural residents commercial initiative and motivation to increase work opportunities in rural areas for research, are presented as research, which is funded by a grant (No. SIN 04/2011) from the Research Council of Lithuania. The results of 1st phase of the project are published in the scientific journal of Aleksandras Stulginskis university “Management theory and studies for rural business and infrastructure development”.

Research problem is fitted in discontinuity, which exists as entrepreneurship development and social capital formation, and entrepreneurship development influence on social capital structure in rural areas.

Research object – entrepreneurship development framework.

Research goal – to highlight the discontinuity between entrepreneurship development and social capital in rural areas.
**Research tasks:**
- make a theoretical review of entrepreneurship development concept;
- find linking to the determinants of entrepreneurship upon different managerial theories;
- explain the interaction between entrepreneurship development and social capital in rural areas.

**Research results**

Research results of an article are presented as a multiple review of scientific findings about the entrepreneurship development problem in the frame of small and medium business environment in rural areas. The general line of scientific references analysis obsesses the main entrepreneurial factor – entrepreneurship development considering social capital in rural areas.

The analysis of the theoretical background of entrepreneurship development concept starts from research works on entrepreneurship itself, from short overview of classical, neo-classical economic conceptions about entrepreneurship, where the main aspect of entrepreneurship development was personal features such as creativity and new attitude to market possibilities.

Activity based business orientation became more clearly after „creative“ and „innovative“ decisions analysis; how business could find niche opportunities to develop itself. Entrepreneurship development concept is significant for new families businesses, SME’s with special tasks and challenges whom business need to be developed. Consequently, debates on entrepreneurship are concerning with entrepreneurial behavioural and personal traits.


P. Sharma and J. J. Chrisman (1999) composed entrepreneurship definitions with a special frame of innovation, growth and uniqueness in value creation process concerning the strategic objectives. Final explanation of entrepreneurship definition could finish the constraints – uncertainty and risk, complementary management competence, creative opportunism.

Till eighties scientific references about entrepreneurship were concentrated on a traits approach analysis, and later, started to focus on entrepreneurs characteristics as a core fundament of entrepreneurship development theory domain. An aspiration exists to understand how opportunities for profit are discovered, and to discover these opportunities for exploitation it for growth of business and social welfare.

Later in 1999, was indicated entrepreneurial process as an important constraint of business development.

Entrepreneurship development is an important measure for persons who creates or develop new business, or, as mentioned in „Shumpeter theory“, that entrepreneurship is available because of innovation launch (Kruger, 2004). Later concepts int-
roduced the current idea of capital supply function as a foundation of entrepreneurship development (Jennings, 1994).

More clear deterministic implications arised M. E. Kruger (2004), K. S. Christensen (2004), R. D. Ireland (2001), R. L. Martin (2008) and others, who predicted entrepreneurship development challenges to unify the understanding how substantialy entrepreneurship is developing. The final concept works on interaction between entrepreneurship development (self-employment) and social capital (social networks).

G. Nieman (2002) proposed to measure the entrepreneurship (E/P) as linear function of motivation (M), entrepreneurial skills (E/S) and business skills (B/S) (Kruger, 2004). It means that business growth depends on activity-based perspective and successful exploitation of business resources (employed more people, higher effectiveness, growth of productivity and profitability). Nowhere explanations about full system of determinants of entrepreneurship. M. A. Kruger (2004) presented non-systematized list of entrepreneurship determinants, which depends only on individual entrepreneurial behaviour.

Essentially, entrepreneurship theory is developing rapidly, and consists of new combinations causing discontinuity between entrepreneurship macro, micro goals in rural (local) areas and individual goals of local (family) business.

Hence, entrepreneurship includes overall economic, socio-cultural and local political factors that influence local (rural) people willingness and ability to undertake entrepreneurial activities. The fact, that a small share of rural entreprises plays such a disproportionate role in the regional economy, motivates to emphasis high-impact entrepreneurship problem (Henrekson, 2010). Entrepreneurial orientation in rural business refers about strategic management imperatives – autonomy, innovativeness, high risk, proactiveness, competitive aggressiveness (Lumpkin, 2001).

Entrepreneurial orientation is very real for identification latent demand in niche (rural) market segments, and important for creation of new demand patterns. Thus, entrepreneurship prospers when knowledge is successfully generated and exploited in the social area by a highly profitable venture for the individual entrepreneurs. But unfortunately, a zero or negative social rate of return for productive entrepreneurs doesn’t play any role, because they perform entrepreneurial activities, in which the social outcome is positive and based on wealth generation (Henrekson, 2010). The great problem arises in rural regions of EU countries, where people are not active in rural businesses, and their activity depends on their quantity. High and distortive taxes, problems in regional labour market (high unemployment) and heavy labour market regulations (high migration of people) impinge on the creation and functioning of competence, reducing high-impact entrepreneurship.

Thus, regional high-impact entrepreneurship works only on regional economic growth involving creativeness and knowledge use of rural population.

Different aspects of entrepreneurship phenomenon and conceptual constraints of entrepreneurship development is identified, such as entrepreneurship development reliance on activity in business or any entrepreneurship process, where the entrepreneurship orientation has entrepreneurship domain. Analysis of modern economic concepts opened a new research findings about the possibilities to develop entrepreneurship by the help of social needs.
The importance of entrepreneurship development analysis arises from the understanding how to improve the economical situation in rural areas where the insensibility in business makes rural people poorer and rusty. Multitudes of scientific researches refer about determinants of entrepreneurship, and under entrepreneurship development plenty of results are presumtive. The other article’s concept is collated with the explanation about social capital impact upon social network building in rural areas and the entrepreneurship development, i.e. small and medium business creation and development. Theoretical contraints of entrepreneurship development are formed during long research period, when plenty of the variations of the entrepreneurship concept were declared. Entrepreneurship definition in various managerial theories stands on delimitation domains of entrepreneurship, and needs acceptance of creativity and innovation as a core context.

The real challenge for the entrepreneurs of SMEs in rural areas is to implement innovative ideas and to gain competitive advantage. The successful way to accomplish entrepreneurship development is through differentiation of markets and continuous innovation – whether it is related to the launch of new products and services, hi-tech production, organisational/operating processes. Hyper-competitive environment and obligatory social capital with appropriate attributes – adaptability, flexibility, speed, aggressiveness and innovativeness, composes the possibilities for entrepreneurship development. Entrepreneurship domain is linked to unique boundaries (Gartner, 1988; Carton, 1998; Kruger, 2004) or concept limitation. D. B. Audretsch et al. (2006) defined entrepreneurship as action, process or activity that involves the startup and growth of a new enterprise.

Some other limitations of entrepreneurship definition covers:
- entrepreneurship as an action or creation of new business, organization, including the search of opportunities of market or environmental changes as feasibility to begin new activity;
- entrepreneurship as a initiate to venture performance with a determined growth, as a quantitative growth of business (activity) size with higher turnover, added value, volume or investments; or as a qualitative growth linked with realization of growth by strategic means – customer service, product quality, competitive position and etc;
- entrepreneurship as a organizational behaviour can't be predicted using deterministic models. Entrepreneurship links to the concept of entrepreneurial activity with key elements of innovation, production growth, efective competition for recognizing higher professional culture and organizational behaviour;
- entrepreneurship as recognized variety of perspective constraints – traits, processes, activities with the link to individual features – persistance, motivation to achieve, technical innovations, capacity to manage and reaction to multicultural changes.

There is a lack of unifying frameworks that distinguishes entrepreneurship from strategic management (Dess, 2003; Kruger, 2004). Many researchers explain the idea that entrepreneurial characteristics set doesn’t exist, only it’s continuum (Kruger, 2004). Great number of researchers present their interpretations about entrepreneurship and it development in the frame of four fundamental research theories – syste-
matic development theory, professional and career management theory, theory of organizational behaviour and business ethics, process perspective for SME’s management theory (Gartner, 1988; Trevisan, 2008).

Process perspective for SME’s management theory uses two dimensions of entrepreneurship: 1) opportunity recognition and information search (entrepreneurial process), and 2) resource acquisition and business strategies (innovation reward) (Kruger, 2004). According to business intensity in the world practice of business development exists relationship between entrepreneurial processes in the area and assumption of innovation reward (Lumpkin, 2001). The integration of these dimensions results the interact with personal attributes and business performance. Personal attributes expressed as behavioural examples (locating a business opportunity, accumulating resources, marketing of product/services, product production, organizational building, responding to the environment) – are important focus on entrepreneurship definition and link to investigations of business innovation of SMEs. Business innovation of SME’s attributes, as entrepreneurial venture, to a new locality.

In rural areas business is more important than in city areas, and this relationship namely supports the organizational behaviour resulting introduction of new products/services, opening up of new markets with number of new work places (Nieman, 2002) and etc. Entrepreneurship development makes higher capacity of business innovativeness influencing technological and marketing resources, knowledge and skills, ininitiatives and projects. So, entrepreneurship development depends on three components – creativity, innovation and strategic goals (figure), so their estimation needs special measures and measurement methods.

Framework of entrepreneurship development covers the creativity measurements with the impacting on aspects of social and cultural environment, operating process (as profession, job, craft), organization/transformation of knowledge, individual acquisition in entrepreneurial process.

Figure. Entrepreneurship development framework (compounded by author according Kruger, 2004)
In entrepreneurship development the important factor is entrepreneurial orientation, which consists of autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness in entrepreneurial process (Kruger, 2004). Entrepreneurial features of personality are discovering in scientific references as personality characteristics, and are available to develop under current conditions of social system. Also social environment and processes are impacting personal characteristics, such as cognitive skills, flexibility, openness, expressiveness, imagination and etc.

Widely explained the fact, that entrepreneurship is developing attribute based on changes in business environment. It means that all limitations upon a entrepreneur makes influence on his creative behaviour. Creativity behaviour is framed of individual creativity abilities – creativity to establish and innovation.

Creativity behavioural elements (abilities) in entrepreneurship development (Kruger, 2004):
- any concept has to have a new value;
- unconventional thinking has to lead to modified paradigms and higher motivation;
- new ideas are composed under uniqueness with higher value/utility.

The changes of entrepreneurial orientation (creative behaviour) is possible when changes all levels of individual creativity – ideas, technical process of creativity, aesthetic creativity. Upon such possibilities to make changes of entrepreneurial behaviour, essentially, there are available entrepreneurial results – added value, created value and designed opportunities. Business development needs permanent financial result (Hvide, 2010), so possible domains of it is innovation, networks, internationalisation, organizational learning, top management teams, growth (Christensen, 2004). Hence, the entrepreneurship development dimensions are known, then entrepreneurial result is possibly composed, as business creation, opportunity exploitation and growth maximisation. Thus, entrepreneurship development focuses on bringing organisational resources from local environment in a way that generates innovations and competitive advantage. It means that entrepreneurship development is standing on the concept of corporate business, innovation, organizational learning with the commercialisation link. For clarification of entrepreneurship development are needful the measures of entrepreneurial results as main dimensions (Hvide, 2010).

Discontinuity of entrepreneurship development and social capital formation in rural areas is a result of multiple researches in EU countries highlighted as the majority of local events activate entrepreneurship development of SMEs and social activities with strongly focus on social capital building and rurality. These highlights develop approaches that theoretical concept of entrepreneurship development is so important for further theoretical clarification and conceptional generalisation.

Previous researches highlight social capital and networking, which can be important factors in entrepreneurship (both general and social enterprise related) activities and their success (Davidsson, 2003). Traditionally, rural area businesses have problems with effective social capital and network building. Business creation in rural areas differs from city business, and competitive advantage is poorly aproval upon local resources (Astromskienė, 2012). Tangible resources are easily accessible, but
intangible resources, such as core competencies and skills of employees, can’t be easily articulated or transferred to proper place, in case to achieve an entrepreneurial profit or generate wealth. Social capital promotes knowledge production and exchange in research, education, and commercial R&D processes (Westlund, 2012).

In terms of resourcing there is evidence, that local (entrepreneurial) resources are supplementing from unitary authorities, so supporting the notion that social capital and entrepreneurial activity in rural areas are mutually supportive activities.

Social capital in rural areas, as intangible resource, has a high perspective to constitute as a big potential for entrepreneurship. So, arises the question how entrepreneurial activities should be organised, especially within the local (rural) resource perspective, which is less developed than the others, and however, the merits of intrapreneurship or exopreneurship vary within market of resources changes under control of local (rural) business.

Intrapreneurship is important determinant at the first phases of business allocation, and later exopreneurship takes essential role in strategic managerial management of business (Martin, 2008). By the help of social capital entrepreneurship from intra- moves to exo-, and in this fact so brightly expressed in rural areas, where SMEs survive getting information from social contacts, and specific qualities, impacting entrepreneurial behaviour, investments to business performance. Social capital (common values, shared traditions, norms, informal networks and associational membership) has a multidimensional nature, is defining as the value driven from social networks (http://web.worldbank.org), and entrepreneurship development needs tide relations with it.

The social capital could be defined as the norms and social relations embedded in social structures that enable people to coordinate action to achieve desired goals. During the last two decades, a new concept arises as a social capital has emerged to explain entrepreneurship importance (Westlund, 2012). Thus, social capital has a sophisticated framework constructed from different conceptual dimensions – structural, relational, cognitive.

Normally, entrepreneurs in rural areas often try to improve social environment, helping to create wealth donation to their communities or additional social capital. Entrepreneurship initiatives and improves the change in the structure of enterprises and society. Such phenomenon is called social entrepreneurship (the ability to create innovative solutions to social problems and mobilize the ideas, information, resources and social structures of moderate social changes). As an example, local feasts and events in more sophisticated ways than the traditional economic impact or marketing focus maximise the social capital building aspects which are most suited to social and general entrepreneurial activity.

Also many debates report about non-inherent idea, that in rural areas tourism has become a more powerful force than agriculture, and that sustainable rural policy and financial support must therefore be adjusted to account for this change (Pickernell, 2010). Accordingly, entrepreneurs gain from social activities, but more gain gets the communities from active enterprises in their region.
During the period 2009–2011 entrepreneurship development problems in EU arised highly, because social entrepreneurship is so poor in low developed rural areas. The main reason is high intrapreneurship, and low – exopreneurship.

Consequently, social capital becomes an determinant of entrepreneurship. It means, that interaction between entrepreneurship and social capital is so intense. Social networks are forming quicker in rural areas, where entrepreneurial environment is more tidy interacting with local authority, community and rural residents. Social capital perspectively presumes that network ties provide individuals or organizations with access to knowledge and other useful resources. Social networks not only affect the entrepreneurial process, but also create a new opportunities by internalizing other actors’ skills. Entrepreneurs recognize that social network principles can be practical and accessible solutions to start a new or expand existing business. The importance of social networks is tremendous, because many rural residents and organizations seeking to take advantage of entrepreneurial opportunities to develop social networks.

Mainly important ideas is that accumulation of social capital in rural areas is the outcome of the process of entrepreneurship development.

**Conclusions**

1. The article clarifies the concept of entrepreneurship by identifying entrepreneurship development determinants in the context of social capital formation in rural areas: entrepreneurs’ creativity and proactiveness, regional economy growth, innovation, local (entrepreneurial) resources, social network building, social entrepreneurship, high-impact entrepreneurship in a value creation process concerning the strategic objectives of rural business.

2. The entrepreneurship development framework helps to analyse entrepreneurship development in the context of entrepreneurial orientation when entrepreneurial process, as an important constraint of business development, is indicated, and it’s factors are known.

3. Determinants of entrepreneurship upon different managerial theories link to entrepreneurial process where entrepreneurial orientation and entrepreneurial results differ according the entrepreneurial activities and local resources up to entrepreneur’s knowledge, operational process and social-cultural environment.

4. The interaction between entrepreneurship development and social capital in rural areas has a unique base. The entrepreneurship is so poor in low developed rural areas, that, there are no possibilities to initiate social networks and to create foundation for social entrepreneurship; only high intrapreneurship in small scale business redeems social affairs.

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VERSLSMO RAIDOS IR SOCIALINIO KAPITALO KAIMO VIETOVĖSE NETOLYGUMAI

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Santrauka

Išsami teorinė verslumo kintamųjų apžvalga atskleidžia verslumo proceso ir verslumo orientacijos sąveiką ir poveikį verslumo rezultatams, kurie kinta priklausomai nuo verslinio aktyvumo ir kaimo vietovėse ribotų socialinio kapitalo ir verslumo šaltinių, tokių kaip verslinės žinios, veiklos procesas ir socialinė-kultūrinė aplinka. Didelė inercija verslumui yra svarbi prielaida užsiimti kaimo vietovėse vien smulkiu verslu, kuris tėra vietos gyventojų poreikių tenkinimo būtinybė. Straipsnio tikslas – atskleisti mokslo darsuose nagrinėtų konceptijų pagrindu verslumo sąvoką, nustatant kokį reikšmę turi verslumo vystymasis kaimo vietovėse vien smulkiu verslu, kuris tėra vietos gyventojų poreikių tenkinimo būtinybė. Mokslininių tyrimų rezultatai (išvados) sutelkti siekiant identifikuoti verslo pokyčių veiksnius, kurie lemia sąveikos tarp verslės elgesio ir veiklos perspektyvų tokiose verslo plėtros lygiuose kaip, asmeninis verslumas (nuosavo verslo kūrimas), vidinis verslumas (įmonių steigimas, verslo vietas išteklių ir socialinio kapitalo pasitelkimas) ir išorinis verslumas (išorinio verslo ryšių kūrimas, verslo tinklų ir įmonių steigimas naudojant išorines investicijas).

Reikšminiai žodžiai: netolygumai, verslumas, verslumo veiksnys, verslumo pokyčiai, verslinė orientacija, kaimo verslas, socialinis kapitalas.

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