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The Many Sides of Social Capital: How Social Capital Is Related to Entrepreneurship?

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THE MANY SIDES OF SOCIAL CAPITAL: HOW SOCIAL

CAPITAL IS RELATED TO ENTREPRENEURSHIP?

by

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A Case Study

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ABSTRACT

THE MANY SIDES OF SOCIAL CAPITAL: HOW SOCIAL

CAPITAL IS RELATED TO ENTREPRENEURSHIP?

By

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This study explores two questions about the relationship between social capital and entrepreneurship that have not received much attention. The first is, how different dimensions of social capital relate to entrepreneurship? The second is, to what extent community social capital is related to the level of entrepreneurship among marginal and dominant members of a community? Social capital is the benefits derived from social connections (Gelderblom, 2018). We know about the positive aspects of the relationship between social capital (Gedajlovic, et al., 2013) but it is also important to examine if there are negative effects. Further, community social capital, which is the aggregate level of social capital in a community, has been found to have a public good quality which has a stronger positive correlation with entrepreneurship than the social capital possessed by an individual (Kwon, et al., 2013). Whether marginal groups are benefitting from community social capital, has escaped extensive attention. This research therefore fills an important gap in the literature on the relationship between social capital and entrepreneurship. The research questions are explored by analyzing archival data, collected via the 2000 Social Capital Community Benchmark Survey (SCCBS) and the Public Use Microdata Sample (PUMS) from the 2000 Census data. I found that social capital is both positively and negatively related to entrepreneurhip and marginal groups do not benefit as much from

community social capital as do dominant groups. The findings contribute to (a) the identification of social capital's boundary conditions; (b) establishing the uneven effects of community social capital among dominant groups and marginal groups ; and (c) how dimensions of social capital are positively or negatively related to the rate of entrepreneurship and entrepreneurial growth aspirations.

ACKNOWLEDGMENTS

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LIST OF ABBREVIATIONS AND SYMBOLS

PUMA   Public Use Microdata Areas

PUMS   Public Use Microdata Sample

SCCBS   Social Capital Community Benchmark Survey

SDC   State Data Center

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DEDICATION

This dissertation is dedicated to the memory of my father, Kenneth Williams. Though he ignited the flames of my academic curiosity and set in motion, my academic journey, he did not live to witness my academic achievements. Moreover, his effort to create generational wealth through entrepreneurship was thwarted by state acquisition of his venture after it achieved rapid growth. Nevertheless, he left a generous bequest of goodwill from the vast social capital he amassed, to me and my siblings. My gratitude also extends to my son, Shaquelle Williams, who has been most supportive throughout the journey though it meant giving up some quality time together. Thank you.

CHAPTER 1

INTRODUCTION

Social capital is now accepted as a foundation theory of entrepreneurship that has gained

prominence in the business literature (Gedajlovic, et al., 2013). It is "the norms and social

relations embedded in social structures that enable people to coordinate actions to achieve

desired goals" (World Bank, 1985). Entrepreneurship is generally defined either as the discovery

and exploitation of opportunities not known by others – Kirznerterian Entrepreneurship (Kirzner,

1973) or the innovation of a new product or process that is commercially exploited through a

new business – Schumpeterian Entrepreneurship (Schumpeter, 1934). The coffee shop that opens

on a university campus to fulfill campus demand, is an example of Kirznerterian

Entrepreneurship. The ride hailing service Uber, which is based on a new innovative way of

hailing a cab that is commercially exploited through a new business, is an example of

Schumpeterian Entrepreneurship.

The extant literature on entrepreneurship recognizes that a community's social context

plays an important role in enabling or discouraging entrepreneurship (DiPrete & Forristal, 1994;

Granovetter, 1992; Kwon, et al., 2013). Social context consists of the norms, interpersonal trust,

social networks, and social organizations within a community (Coleman, 1988). So, social

capital encompasses several components of social context such as social ties, social trust, and

value systems that facilitate individual action (Tsai & Ghoshal, 1998). Therefore, social trust,

defined as the extent to which people in a community trust each other (Kwon et al., 2013), is

acknowledged as one of the important elements of a community's social context that influences

entrepreneurial outcomes. For example, in the second half of the Nineteenth Century,

entrepreneurs used communications technology to build networks of trust that facilitated

collaboration to achieve the common goal of expanding business ventures on a national, regional, and international scale. Similarly, trust allows diamond dealers in New York to exchange expensive merchandize without the need for complicated contracts and insurance (Coleman, 1988).

While there is a significant body of knowledge on social capital's positive relationship with entrepreneurship, less is known about the negative side of the relationship between social capital and entrepreneurship. More recent studies have raised concerns that social capital may have unidentified boundary conditions that determine whether its relationship with entrepreneurship may be negative rather than positive (Light & Dana, 2013; Gedajlovic et al., 2013). Also, empirical work tends to focus on the role of individuals' personal networks. That is a micro level analysis that focuses on social capital as an individual good in the same way resources such as land and capital are individualized. A macro level approach to social capital is based on social context where the aggregate level of social capital in a community is viewed as a public good or a pooled resource - the relationship between social capital and entrepreneurial outcomes is explored at the community level (Kwon, et al., 2013; Putnam, 1995). Using self-employment as a measure of entrepreneurship, Kwon, et al., (2013) observed great disparity in levels of entrepreneurship in communities across the United States in 2000, ranging from three percent (3%) in Chicago City to twenty eight percent (28%) in some parts of Los Angeles. Reseachers have theorized that individual attributes are inadequate to account for the observed differential rate of entrepreneurship in communities across the United States (DiPrete & Forristal, 1994; Kwon, et al., 2013). So, as an alternative to the individual endowment micro level theory, the community endowment theory posits that community attributes play a greater role than individual factors in spatial differences in the rate of entrepreneurship (Kwon, et al.,

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2013). However, the community endowment macro level theory, which focuses on attributes within a community that are related to entrepreneurship, has not been extensively explored.

Studies that pursued a macro approach to social capital research have found that the social capital possessed by a community correlates more strongly to entrepreneurship than the social capital possessed by an individual (Kwon, et al., 2013). Those studies therefore hypothesized that it is community rather than individual social capital that is a possible determinant of spatial disparities in entrepreneurship. This is because of what is described as the "rainmaker effect" (Putnam, 1995) or "spillover effect" (Ruiter & De Graaf, 2006) that allow social capital resources to diffuse through communities to benefit even persons who do not have individual social capital. Also, individuals' actions and outcomes are influenced not merely by their own dyadic relations with network connections but also the broader social context in which those networks exist (Adler & Kown, 2002; Granovetter, 1992; Kwon, et al., 2013).

Despite recognition of the significant value of community social capital, emperical work has not been done to assess the extent to which marginal members of a community benefit from social capital as a public good. There has therefore been calls for a refocusing of research on social capital and entrepreneurship. Gedajlovic et al., (2013) issued a direct call for research focusing on the negative relationship between social capital and entrepreneruship and Kwon, et al., (2013) call for a shift in focus to emperical work that examines the extent to which marginal members of a community are benefitting from community-level social capital. This paper responds to these unheeded calls by exploring the questions-

    (a) How do different dimensions of social capital relate to entrepreneurship?

    (b) To what extent the level of entrepreneurship among marginal and dominant members of communities, is related to differences in community social capital?

Examining these questions helps to identify specific conditions under which social capital is negatively or positively related to individuals' ability to discern and ultimately exploit entrepreneurial opportunities. Another value of this kind of research is its contribution to how institutional and spatial context moderate the relationship between social capital and entrepreneurship. These are unresolved issues that Gedajlovic et al., (2013) included in an agenda for future research. Their exploration could help in understanding disparities in the level of entrepreneurship among social groups and communities.

There are several forms of social capital. So, rather than assessing social capital as a general construct, this study assesses the relationship of three dimensions of social capital and entrepreneurship. These dimensions are bonding social capital, bridging social capital, and linking social capital. Bonding social capital is strong ties to a homogenous group such as a family, religion, race inter alia (Putnam, 1995; see also Harpham, 2008). Bridging social capital is weak ties that are found in heterogenous groups such as neighborhood associations and trade associations. Linking social capital is network linkage to institutions, agencies, or individuals within institutions of power and influence such as powerful politicians, and government officials (Putnam, 1995). The research questions are explored by merging cross-sectional, community-level data from the 2000 SCCBS with individual-level data on entrepreneurship from the 2000 Census, Public Use Microdata Sample (PUMS), using the 5 percent sample file.

CHAPTER 2

LITERATURE REVIEW

Social Capital: A Broad Overview

Trust and social bond are two components of social capital that are extensively

acknowledged and used in the literature ((Knack & Keefer, 1997; Kwon, et al., 2013). Social

bond is ties individuals share with other members of the community. It is therefore expressed as

tie strength, which is captured in organizational membership. The literature categorizes social

bonds into strong ties and weak ties. Consistent with the literature, strong ties are depicted in the

conceptual model for this study, presented in Figure 2, as bonding social capital and weak ties

are depicted as bridging social capital. In the most recent schema of extant literature on social

capital and entrepreneurship, Gedajlovic, et al. (2013) illustrate that social capital is derived from

organizational membership such that the nature of social networks determines the type of social

capital that is available to individuals. Their schematic model of social capital and

entrepreneurship is presented in Figure 1. It shows that there are predictors of organizational

membership. Based on theories advanced in the literature (Kwon, et al., 2013), I proposed that

social trust is a possible predictor of relationship/networks because it would help individuals

develop connections with people from diverse social circles. In support, Kwon, et al., (2013)

found that the extent to which individuals trust other members and institutions in their

community is likely to be positively correlated with the degree to which they integrate in social

structures. Further, Putnam (1993) observed that individuals with high social trust are more

tolerant of people who are different from themselves and Rotter (1980) observed that trust helps

individuals to view dealing with strangers as providing more opportunity than risk. Social trust is

therefore included in the conceptual model, along with bonding social capital and bridging social

capital as a predictor variable.

Relationships/networks are not social capital in and of themselves. Rather, they are sources of the information, resources, ideas, and reciprocity that constitute social capital. So, the nature of relationships/networks (sources of social capital) is related to the dimensions of social capital available to individuals and groups (Gedajlovic, et al., 2013). For example, a homogenous network may be more endowed with trust and reciprocity and deficient in idea and resource diversity while a heterogenous network may be rich in idea and resource diversity while being less endowed with trust. Different relationships/networks are therefore related to different dimensions of social capital, which in turn, are related to different entrepreneurial outcomes.

| 1a: Antecedents/ Predictors (Soical Trust) | → | 1b: Relationships/ Networks | → | 1c: Social Capital | → | 1d: Entrepreneurial Outcomes | → | 1e: Performance Outcomes |
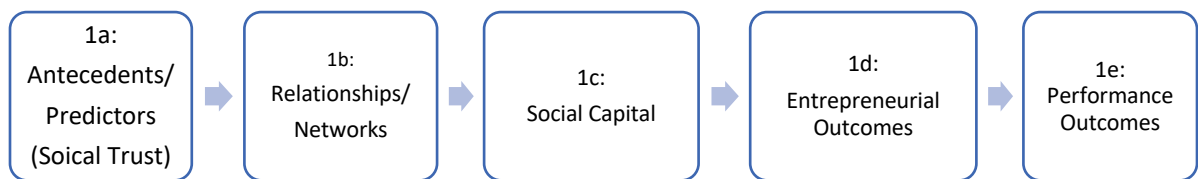
Figure 1:A Schematic Model of Social Capital and Entrepreneurship from Gedajlovic, Honig, Moore, Payne, and Wright, (2013).

There are two competing schools used to assess the relationship between social capital and entrepreneurial outcomes. The first is the cooperation school which is a collective action proposition that focuses on how cooperation for the common good is acheieved (Gedajlovic et al., 2013). Key proponents of this perspective are Coleman (1988) and Putnam (1995). It explores the public good nature of social capital by examining how social norms incorporate choices people make in a cooperative direction (Gelderblom, 2018). For example, Kwon et al., (2013) found that components of social capital, such as social trust and organizational membership, accrue to the benefit of the community at large. Putnam (1995) also found that resources produced through social capital diffuse throughout the community instead of being retained by individuals. Another perspective is the competition school (Bourdieu, 1997; Gelderblom, 2018) which opposes the collective action proposition by asserting that social

capital has the potential to inhibit some groups while providing advantages for others. So, instead of universal cooperation, this school posits that social capital could contribute to cooperation within some groups and competition within others. The competition school, therefore, views social capital as an enabler for some groups and a retardant for others (Gelderblom, 2018; Light & Dana, 2013).

Within the two competing schools, there are two perspectives that guide social capital research and scholarship. The first is the bonding perspective (Coleman, 1988; Granovetter, 1973) which focuses on relationships within a homogenous group. It views social capital's value as deriving from strong, repeated social connections that contribute to in-group norms, trust, and reciprocity. Research in this stream examines how strong in-group ties are related to social capital such as information sharing and discovery of opportunities from higher levels of trust and access to resources. For example, some studies found a positive relationship between bonding social capital and in-group loyalty (Vukovic et al., 2017). This is reflected in strong connections to a central system of shared values and cluster units such as family and race-based organizations like historically black colleges and universities. The second is the bridging perspective which focuses on how ties between heterogenous members from different groups are associated with social capital as a resource. Burt (2007), explains that the information and resources within groups are more homogenous than between groups, so connections between groups are associated with more diverse resources. Proponents of this perspective find that the actions of individuals and groups can be greatly facilitated by direct and indirect links to other actors in external social networks (Burt, 2007; Harpham, 2008; Portes & Zhou, 1996). For example, a group of entrepreneurship researchers who are connected to a group of psychologists are likely to

gain greater insight into the cognitive elements of entrepreneurship than a group that is not

connected to psychologists or individuals from a similar field of study.

The different perspectives used in social capital studies have given rise to different

theories of how social capital relates to entrepreneurship. The unreconciled differences in

propositions and conclusions have left gaps in the body of knowledge on how social capital

relates to nascent entrepreneurship and entrepreneurial growth aspiration.

Social Capital & Nascent Entrepreneurship

There are three main ways in which social capital may enable entrepreneurship

(Davidsson & Honig, 2003; Light & Dana, 2013). The first is as a facilitator of the exchange of

information products such as ideas, knowledge, and relevant information. Second, social capital

facilitates access to entrepreneurial resources that include factors of production, namley, land,

labor and capital. Because factors of production are scarce, entrepreneurship begins with an

entrepreneurial desire that must be satisfied through matchmaking with owners of factors of

production in highly congested markets. Powell (1990), concluded that this matchmaking

between owners of factors of production and entrepreneurs, takes place through networks that

provide an alternative structure for the allocation of scarce resources. Furr et al. (2019) identified

four components of this matchingmaking process that help entrepreneurs win resources to

commercialize novel ideas. These are: (a) who you are; (b) who you know; (c) what you are

known for; and (d) impression amplifiers, which are the means of building a reputation. Mentors

and sponsors are examples of impression amplifiers. Further, Dodd & Patra (2002) note that

venture creation would be difficult without access to an effective set of networks (see also

Szarka, 1990). Finally, social capital facilitates transactions. It aids entrepreneurship by reducing

economic cost associated with delays, contracting, collaboration, inter alia. These benefits are

made possible through social trust and organizational membership. So, social trust and voluntary organization membership are the proxies commonly used to measure social capital (Knack & Keefer, 1997; Kwon et al., 2013). These measures were adopted for this research.

Generalize Social trust. Social trust, which arises when a group or community shares a set of moral values that create expectations of honest behavior Fukuyama, (1995), enables entrepreneurial outcomes in two ways. First, it enables the free flow of information within and among social groups. Second, it lubricates the mechanisms through which individuals who lack recognition and well-defined reputation could overcome the challenges of firm creation. An example is provided by Saparito (2006), who found that members of social networks accumulate obligations from others within the network and leverage them at a later time. In reviewing extant literature, Gedajlovic, et al. (2013), found consensus among researchers that social capital is positively related to entrepreneurial outcomes such as level of nascent entrepreneurship, the formation of entrepreneurial growth aspiration and entrepreneurial success, (see also Davidsson & Honig, 2003). Thus, drawing from cooperation theory, Kwon et al. (2013), found that communities in the United States with high levels of generalized social trust have higher levels of self-employment, which is one measure of entrepreneurship. It is referred to as generalized social trust because it is a measure of how an individual generally trust other persons, including strangers. So, a stream of research within the cooperative tradition concluded that generalized social trust would be positively related to the sponsorship and resources that marginal members of a community need to get by.

The extant literature reflects an agreement that there is a positive relationship between social trust and economic activities (Knack & Keefer, 1997; Kwon, et al., 2013). Social trust is necessary for cooperation and the sharing of ideas, information, resources and research that are

necessary for entrepreneurship. Social trust also reduces the cost of necessary transactions. For example, Knack & Keefer, (1997: 1252-1253) observed: "If entrepreneurs must devote more time to monitoring possible malfeasance by partners, employees, and suppliers, they have less time to devote to innovation in new products or processes." According to the cooperation school's collective action proposition (Coleman, 1988; Putnam, 1995), communities that have high levels of generalized social trust should engage in more collective action and resource sharing. Therefore, I hypothesize that:

Hypothesis 1a: Generalized Social trust will be positively related to entrepreneurship.

Social Mistrust. On the other hand, social mistrust, is a measure of individuals' perception of the attitude of other individuals, agencies, and institutions towards them. It captures how the individual feels about others' perceptions about him or her. It is the subjective perception of individuals and so it is referred to as perceived social mistrust. Two measures used to capture this sentiment are distrust and unfair treatment (Kwon, et al., 2013). For example, does an individual believe other individuals, agencies and institutions distrust and treat him or her unfairly? Whether social mistrust is related to different entrepreneurial outcomes from social trust, has not been empirically tested. However, (Kwon, et al., 2013) hypothesize that higher levels of social mistrust would be related to lower levels of civil participation and integration in social structure. Therefore, I expect higher levels of it to be associated with a lower level of collective action because individuals would be more distrustful of society in general. Therefore, I hypothesize that:

Hypothesis 1b: Perceived Social mistrust will be negatively related to entrepreneurship.

Organizational Membership and Entrepreneurship

Connected organization membership. The organizational view of social capital suggests that organizations contribute to social exchanges by facilitating interaction and activities among their members (Kwon et al., 2013). For example, the nature of an organization determines how effectively it connects individuals to a variety of unique resources and ideas needed for entrepreneurship. Organizations that provide this connection act as brokers that connect their members to people from other outgroups (Burt , 2007). This occurs when members of an organization are also members of other organizations. These brokerage-organizations, referred to as connected organizations, increase the diversity of networks and are characterized by weak ties that allow for diffusion and acceptance of diverse ideas. Burt (2007), illustrated this through the concept of structural holes, which he defined as gaps in relationships that inhibit the flow of information between people. Consider two entrepreneurs, John and Elizabeth, each with eight connections. All of Elizabeth's connections are within the same network of computer scientists. However, John's eight connections are connected to other networks such as financial groups, software developers, lawyers, legislatures, social activists, and consumer advocates. According to Burt, Elizabeth's connections that are limited to computer scientists would have several blind spots that he called structural holes. However, John's connections who are linked to other diverse networks, would benefit from a bridge in the information and resource gaps that exist among the eight connections. This is what is meant by brokerage-oganizations. It is where a connection serves as a gateway to different types of information and resources. Burt (2007), therefore concluded that persons whose social networks bridge structural holes have a competitive advantage over those who are confined to a single group of interconnected people.

An existing body of work found that in addition to facilitating resource availability to members of a network, organizations also influence the mental process that leads to career choices. For example, Woolcock (2004), and Vukovic, et al. (2017), found that individuals' exposure to culture, close relatives, friends, and groups is related to their attitude towards a career choice. Social cognition career theory (Lent et al., 1994) has therefore been used to show that the nature of relationships/organizations, is related to career choices. Social cognition career theory treats a career choice as a cognitive process that is related to an individual's beliefs, attitudes, and experiences from interaction with network connections. Since entrepreneurship is considered a career, social cognition career theory is used to assess the role of relationships/organizations on the entrepreneurial process. It has been used to examine barriers to career choices (Lent et al., 1994), the formation of entrepreneurial intention (Vukovic et al., 2017), and entreprenneurial growth aspiration (Davidsson, 1989; Liao & Welsch, 2003).

There is extensive acknowledgment in the literature that connected organizations act as brokers that connect individuals to unique resources and ideas needed for entrepreneurship (Burt, 2007; Kwon et al., 2013; Putnam, 1995). Diversity of resources and ideas is related to entrepreneurship in several ways. First, researchers have found that connected organizations are associated with the discovery and exploitation of entrepreneurial opportunities (Kwon et al., 2013). In support, Tsai & Ghoshal (1998), found that informal social relations and tacit social arrangements contribute to innovation by encouraging productive resource exchange and combinations. Second, it is acknowledged in various studies that connected organizations provide a supportive environment for the formation of entrepreneurial intent (Vukovic, et al., 2017; Kwon, et al., 2013). Particularly, Kwon, et al. (2013), found that connected organizations,

which are the operationalized measure of bridging social capital, increase the odds that

entrepreneurship would be considered as a career choice. Thus, I hypothesize that:

Hypothesis 2a: There will be a positive relationship between bridging social

capital and entrepreneurship.

Isolated Organization Membership. Isolated orgnaizations are made up of

likeminded people who are not connected to other organizations. A religious group whose

members are not members of other organizations is an example of an isolated voluntary

organization. They are characterized by homogeniety, network closure, redundant instead of

diverse resources, and narrow-mindedness (Burt , 2007; Kwon et al., 2013). The strong ties

within these homogenous networks are referred to as over-embeddedness (Burt, 2007). Each

homogenous group has a unique system of acquired disposition that makes up the social

component of personality (Light & Dana, 2013). This is referred to by Bourdieu (1997) as a

habitus. Introduced into the entrepreneurship literature by Patel & Conklin (2009), and Drori,

Honig, & Ginsberg (2010), the notion of the habitus has contributed to an emerging body of

work. The habitus of a group consists of a subjective norm that is assocaited with the career

choices and livelihood chosen by members of the group such as entrepreneurship or regular

employment, or a particular trade or profession (Light & Dana, 2013). For example, an

individual with close ties to family members or friends who serve in the military is more likely to

join the military than a person who has close ties to entrepreneurs. A group or a community

might be oriented to a single type of career choice if it has a unitary habitus. For example, in the

case of the Native Alaskans in Old Harbor, Light & Dana (2013), found that their habitus orients

them towards non-commerical hunting and fishing instead of entrepreneurship.

Light & Dana (2013), have therefore concluded that social capital needs a supportive habitus for its entrepreneurial benefits to be enabled. Other researchers have turned to Nahapiet & Ghoshal (1998), multi-dimensional model to point out that cultural capital is contained in what Nahapiet & Ghoshal (1998), described as cognitive social capital (De Carolis & Saparito, 2006; Vukovic et al., 2017). For example, Vukovic et a. (2017), have concluded that the cognitive dimension of social capital is related to the formation of entrepreneurial intention and De Carolis & Saparito (2006), noted that social capital influences individual cognition. They reasoned that the cognitive dimension of social capital is related to shared systems of meanings and shared thinking processes that are associated with common ways of looking at the world. Thus, they hypothesized a positive relationship between social capital and the cognitive processes involved in the decision to become an entrepreneur. For example, an individual who grew up among close family members, friends and organization members who are successful entrepreneurs, is likley to develop admiration for entrepreneurs. He or she is also likely to have a higher estimate of entrepreneurship as a means of becomig succesful. Thus, the exposure to successful entrepreneurs is likley to increase the desirability and perceived benefits of entrepreneurship, leading to a more favorable consideration of it as a career choice. Baron (2004), refers to this as optimism bias.

Desirability and optimism increase the consideration of entreprenuerhsip as a career choice because entrepreneurship is considered planned behavior based on reasoned action. The predictors of planned behavior are attitude toward the behavior, the subjective norm, and perceived control over the behavior and the outcome (Vukovic et al., 2017). Therefore, De Carolis & Saparito (2006), viewed entrepreneurial intent as being influenced by desirability perception and feasibility and Vukovic et al. (2017), found that increasing the desirability of an

event also increases its perceived feasibility. So, in accordance with social cognition career theory, a habitus that orients its members towards entrepreneurship should increase the desirability and feasibility perception of entrepreneurship to in-group members. This is supported by cognitive theorists who point out that in-group loyalty forces members of social groups with strong bonding social capital to seek the approval of influencers and powerful group members (Vukovic et al., 2017). The desire for approval is pursued by members of the group aligning their choices, attitude, actions, values, and behavior with the norms of the group. Hence, Vukovic et al., (2017) noted that the influential and powerful members of the group serve as bridges to which lower status members attune their cognition. Consequently, the process is a form of mimicry by lower status members (Davidsson & Honig, 2003). The proposition is that entrepreneurial intention is heavily influenced by cognitive biases that arise from the subjective norms to which individuals are bonded. De Carolis & Saparito (2006), have noted that research in this area has moved to an investigation of the impact of variations in cognitive and decision processes as explanations of entrepreneurial behavior.

Applying social cognition career theory to this thought stream, the influence of the habitus on career choices should increase with tie strength. For example, Coleman (1988), observed that dense in-group networks develop self-enforcing norms. An example of this is a close-knit academic group that ostracizes a member who fails to follow established norms such as properly acknowledging the intellectual contributions of others. Similarly, Davidsson & Honig (2003), found that social norms influence individual preferences and motivation. The effect of the habitus should also be stronger for groups with a unitary habitus than those with multiple habitus, i.e. groups with heterogenious out-group connections. A neighborhood association consisting of entrepreneurs, politicians and regular wage employees is an example of

a group with mutiple habitus. Using the strong tie/weak tie dichotomy, the effects of the habitus should decrease in groups with weak out-group ties. Strong in-group ties is synonymous with strong bonding cognitive social capital and weak out-group ties is considered bridging cognitive social capital (Putnam, 1995; see also Harpham, 2008).

The foregoing refects extensive agreement among researchers that isolated organizations are associated with redundant resources and ideas (Burt, 2007; Vukovic, et al., 2017; Putnam, 1995). Notably, Putnam (1995), concludes that isolated organizations are negatively related to diversity and change. This lack of diversity is associated with a central norm to which individuals' career choices are correlated. Since regular wage employment is overwhlemingly the norm, Kwon, et al. (2013), and Vukovic, et al. (2017), found that isolated organizations are associated with higher levels of regular wage employment. However, Light & Dana (2013), recognized an exception for individuals who are exposed to strong entrepreneurship ties. Therefore, I hypothesize that:

Hypothesis 2b: Bonding social capital will generally be negatively related to entrepreneurship.

Hypothesis 2c: Bonding social capital will be positively related to entrepreneurship if the environment is supportive of entrepreneurship.

<p align="center">Social Capital and Entrepreneurial Growth Aspiration</p>

Bonding social capital and entrepreneurial growth aspiration. Some researchers have raised concerns that bonding social capital squelches entrepreneurship by protecting mediocrity, reducing objectivity, imposing mental conformity, and inhibiting exit from failing allies (Gedajlovic et al., 2013). Considerable scholarship in the entrepreneurship literature has been devoted to whether bonding as against bridging social capital produces

different entrepreneurial outcomes (Burt, 1992; Burt, 2007; Granovetter, 1973; Portes, 1998). Dodd & Patra (2002), found a positive relationship between bonding social capital and sterility and redundancy. They found support for a positive relationship between sterility and redundancy and network closure (Coleman, 1988) from close or intra-community actors. Davidsson et al. (2003), found that bonding social capital is also exclusive in nature (Davidsson et al., 2003). This means that it results in the exclusion of members of other diverse groups. Portes (1998), also concluded that strong in-group solidarity leads to the exclusion of members of out-groups. Further, Dodd & Patra (2002), found that high bonding social capital correlates with uncertainty avoidance. They found that high uncertainty avoidance leads to confirmity with established norms and a reduced propensity for risk-taking which is positively related to entrepreneurship (De Carolis & Saparito, 2006).

Risk is generally defined as the variance of potential outcomes (March & Shapira, 1987), which is the likelihood of a desired outcome compared with the likelihood of an undesirable outcome. However, in the entrepreneurship literature, only the downside variance from entrepreneurial outcomes is considered risk, i.e. the likelihood of an undesirable outcome occurring. The upside potential outcomes are considered opportunity (March & Shapira, 1987). Apart from redundant information flow, several studies have conluded that cognitive biases impact an individual's risk perception by infleuncing the information they notice and how that information is interpreted (Busenitz & Barney, 1997; De Carolis & Saparito, 2006; Simon et al., 1999). Consequently, impairment of individuals' risk perception should negatively impact the discovery and exploitation of entrepreneurial opportunities and growth aspiration. An example is the reluctance of indigenous communities to adopt new and better technology, products, and methods and to remain steadfast to certain vocational orientations.

The literature acknowledges several ways in which bonding social capital may be related to entrepreneurial growth aspiration. First, bonding social capital is associated with sterility, rigidity, and redundancy (Dodd & Patra, 2002), while entrepreneurship is associated with opportunity recognition and the exploitation of innovation (Henrekson & Sanandaji, 2020). Second, bonding social capital is associated with risk avoidance while entreprenneurial growth aspiration is positively related to risk seeking (Dodd & Patra, 2002). Third, diversity of resources is positively related to innovation which in turn, is positively related to entrepreneurial growth aspiration (Henrekson & Sanandaji, 2020). Therefore, I hypothesize that:

Hypothesis 3a: Bonding social capital will be negatively related to the formation of entrepreneurial growth aspiration.

Bridging social capital and entrepreneurial growth aspiration. In contrast to the strong ties found in isolated organizations, Burt (2007), found that individuals' whose networks span structural holes, have a vision advantage through early exposure to diverse information. This fosters creativity, the adoption of new ideas and discovery of entrepreneurial opportunities. Creativity and the adoption of new ideas are necessary to challenge the status quo to produce discontinuous, spontaneous, and dynamic change consistent with Schumpeterian innovation entrepreneurship (Frank et al, 1998). Further, innovation is a collaborative process that is enhanced by diversity (Doh & Acs, 2010). Chakrabarti et al. (2009), found this principle to hold true in mergers and acquisitions (M&A) of innovation companies. Though researchers found that cultural proximity between merged companies reduce interaction friction, Chakrabarti et al (2009) found that cultural distance increases M&A performance for innovation companies. They attribute this outcome to the bridging effect of diverse enclaves. This is so because diversity provides access to unique resources and spurs innovation and learning by breaking

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rigidity (Chakrabarti et al., 2009). Further, there is a body of research that concludes that weak ties from bridging social capital provide access to diverse resources by bridging structural holes (Burt, 1992; Dodd, 2002; Granovetter, 1973). Granovetter (1973), found that innovators are more marginally than centrally connected. Marginal connections are the weak ties that constitute bridging social capital from connected organizational membership. Granovetter (1973) also concludes that individuals with a greater number of weak ties are more receptive to new ideas and innovation than those with strong ties.

Bridging social capital is acknowledged by several researchers as having a positive relationship with opportunity recognition and exploitation, innovation, a vision advantage, and risk-seeking (Baron, 2004). Several studies have found a positive relationship between these factors and entrepreneurial growth. The relationship between bridging social capital is two-fold (Baron, 2004). First, diversity of ideas and risk-seeking correlate with the cognitive process involved in entrepreneurial growth aspiration. Second, non-redundant resources are associated with opportunities for entrepreneurial success and boost individuals' confidence of success. I therefore hypothesize that:

Hypothesis 3b: Bridging social capital will be positively related to the formation of entrepreneurial growth aspiration.

Dominant Groups and Suppression Theory

Isolated organizations and connected organizations are categorized as voluntary organizations (Putnam, 1995). This means that individuals become members by choice rather than compulsion. The connections derived from membership in these organizations are horizontal in nature because they are organization-to-organization or indivdiual-to-organization connections that do not involve a hierachical or dependent relationship. For example, the

connection between a professional organization such as the New York City Bar Association and a univeristy's alumni club such as the Harvard Club is a horizontal connection because there is no hierachical structure that allows influence to flow upward or downward. Neither organization exercises any supervisory control over the other.

Individuals may also be vertically connected to institutions and agencies which are considered formal organizations. These formal, institutional connections give rise to vertical networks. A vertical connection is a hierarchical relationship in which one organization is in a dependent relationship with another. So, there is some supervisor control (Gelderblom, 2018; Putnam, 1995). For example, a group of Business Schools that are AACSB accredited, are in a vertical relationship with the AACSB while the relationship among the schools is horizontal. A vertical relationship exist between Business Schools and the AACSB because the schools are subject to supervisory control and sanction from the AACSB that directly influence the schools' operations. The Business School-to-Business School relationship is not characterized by any supervisory control or sanction and is therefore horizontal.

Putnam (1995), theorized that vertical connections have a linking effect. Vertical institutional connections provide access to institutional influence because of relationships within these institutions. This access facilitates more effective and successful lobbying for institutional frameworks, policy implementation and enforcement mechanisms that further the interests of a group. For example, the AACSB implements rules and policies that member organizations are required to comply with. Business Schools that are connected to the AACSB would be in a better position to influence favorable policies because of their connection to influence within the organization. They would also have superior information and resources in comparison to groups with no such links. Other ways in which vertical connections enhance collective action are

through agenda setting, policy development and implementation, and the nature of the framework through which collective action is pursued. This is consistent with the principle of self-governance that allows groups to petition their government in furtherance of specific interests. In addition to enhancing the ability to petition the government, institutional connections also increase the information flow between groups that have these connections and the institutions they are connected to. It therefore has the potential to (a) reduce the problems associated with information asymmetry and uncertainty; and (b) skew decision making and policy development in favor of groups with better institutional connectedness. Therefore, it is a means through which social capital could be used to produce negative effects for some groups.

Institutional influence is achieved through organized activism, which may be pursued through lobbying and other forms of civic participation such as protesting, serving as an officer in organizations, attendance at public meetings, and voting (Pettinicchio, 2012). Dominant groups are more likely to engage in organized activism than marginal groups (Gelderblom, 2018; Putnam, 1995). Gelderblom (2018), noted that dominant groups are usually made up of influential politicians, business people, and other influencers or collective actors such as political parties and powerful corporations. Pettinicchio (2012), distinguished between activism that takes place from within institutions, referred to as institutional activism and activism that occurs from outside of institutional structures. He noted that activism that occurs outside of institutional structures such as protesting, are associated with groups that have little institutional power and are at the bottom of class hierarchies (see also Valocchi, 2010). Pettinicchio (2012), therefore found support for the hypothesis that social movement organizations are needed for external activism to be succesful. The connections associated with institutional activism and social movement organizations that facilitate external activism are considered linking social capital. So,

the generally acknowledged benefits of social capital may not be activated for marginal groups because dominant groups possess higher levels of linking social capital, which is used to exclude subordinate groups from entrepreneurial resources (Adler & Kown, 2002; Gedajlovic et al., 2013).

Dominant groups are made up of macro actors who are embedded higher up the social hierarchy and have the power to make a difference on a national or global scale (Gelderblom, 2018). Gelderblom (2018) and Putnam (1995) concluded that dominant groups belong to more connected organizations with vertical ties and institutional connections and are therefore, more endowed with linking social capital. On the contrary, marginal groups are made up of micro actors who exercise power on a micro scale and are more connected to isolated organizations. Where a connection exists, it is horizontal rather than vertical. Therefore, dominant actors have a level of agency that is unavailable to marginal groups.

Gedajlovic et al. (2013), recognized that dominant actors may exert influnce and control over marginal actors through institutional structures (rules and procedures). Consequently, I expect groups with high linking social capital to impact the entrepreneurial ability of groups with low linking social capital by influencing how networks within these groups are formed, and once formed, how their members interact (Gelderblom, 2018). I also expect, groups with high linking social capital to create conflict within groups with low linking social capital by inducing scarcity of entrepreneurial resources among members of these groups. So, instead of the acknowledged entrepreneurial benefits, such as reciprocity, information and resource exchange, there would be rivalry (Gelderblom, 2018). For example, suppressive policies, laws, regulations, and practices that adversely impact a group in home loans and education financing, contribute to rivalry within the group for the limited available spots (Pettinicchio, 2012; Gelderblom, 2018). Such rivalry

may also constrain basic reciprocity among group members, such as information sharing, while exaggerating envy and strife within the group instead of cooperation.

The literature contains an emerging body of work that explores the relationship between linking social capital, operationalized as organized activism, and entrepreneurship. Gelderblom (2018), found that individuals with high linking social capital have better access to the information and influence needed for entrepreneurial success. He also found that dominant groups have higher levels of linking social capital than marginal groups. Therefore, I hypothesize that:

Hypothesis 4a: Linking social capital will be positively related to the formation of entrepreneurial growth aspiration.

Hypothesis 4b: The positive relationship between community social capital and entrepreneurship, will be stronger for dominant groups than marginal groups.

MODEL DEVELOPMENT

The conceptual model for this research, which is based on social capital theory, is depicted in Figure 2 below. The solid black arrows connecting the predictor variables with the criterion variable, indicate a positive relationship. The broken red arrows connecting the predictor variables with the criterion variable, indicate a negative relationship.
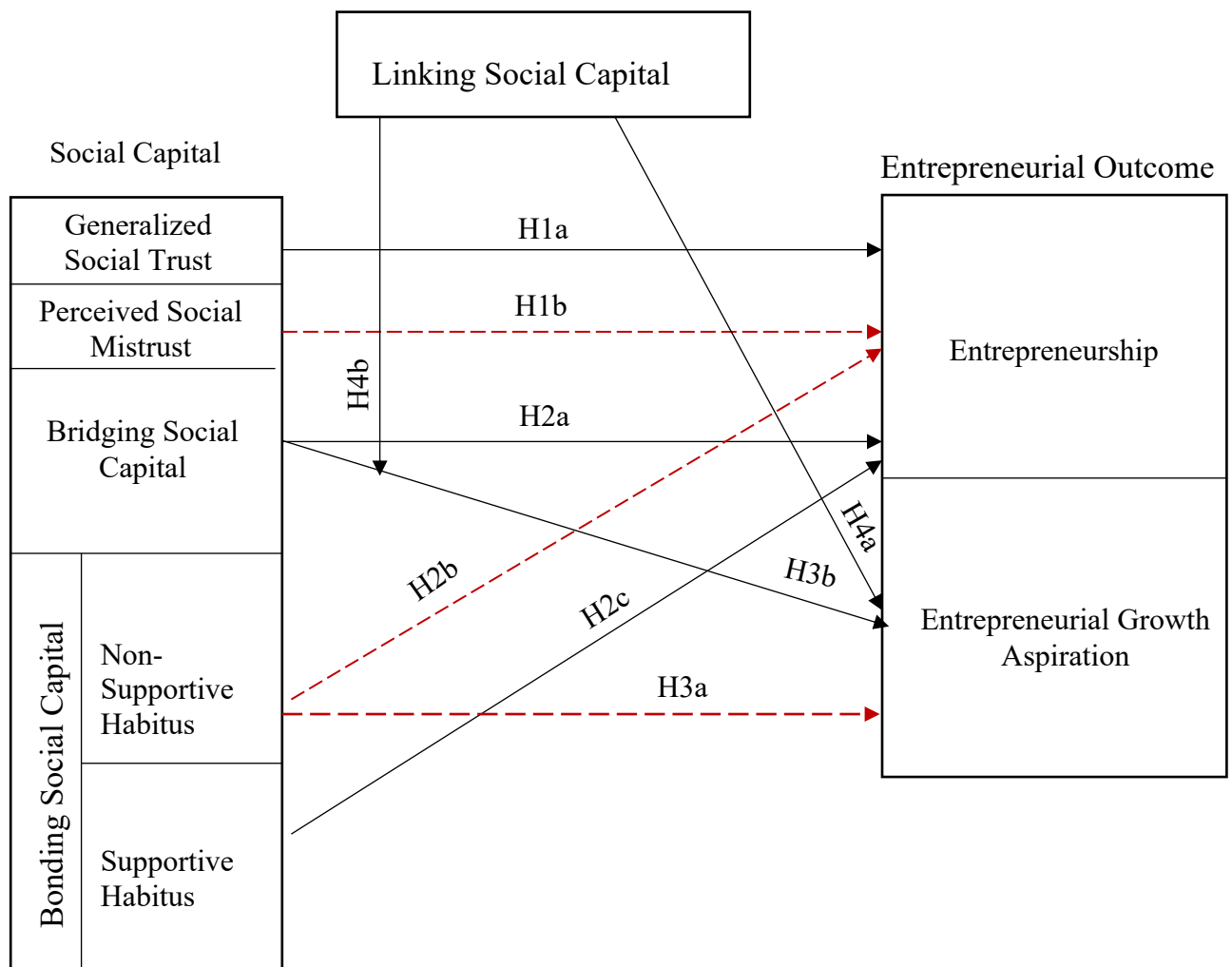
Figure 2: The Conceptual Model

METHODOLOGY

To examine the hypotheses, I merged survey data from the Social Capital Community Benchmark Survey (SCCBS), conducted in 2000, with census data on self-employment taken from the Public Use Microdata Sample (PUMS) 5% file of the same year. The SCCBS is a national survey in the United States with a probability sample of 29,233 respondents drawn from 42 randomly selected communities, spanning 29 states. It is regularly used as a social capital measure (Kwon et al., 2013; Putnam, 2007; Ruef & Kwon, 2016; Stoyneva, 2017). For this study, I extracted data for communities in New York Metropolitan area only. Areas outside of the New York metropolitan region were dropped because samples from these communities were generally too small for meaningful assessment of the social capital variables. The population for the study is therefore, the New York Metropolitan region, more specifically, the Bronx, Kings, Nassau, New York, Queens, Suffolk and Westechester counties. Staten Island was not included in the SCCBS so there was no social capital data available for it. It was therefore excluded from this study. The social capital dimensions are measured using the community social capital model that aggregates responses of respondents within a community or group, to items in the survey. This is the best way of measuring community social capital (Harpham, 2008). Table 1, shows the operationalization of the variables used. Importantly, scores for all of the variables were standardized.

The New York metroplitant region is used for this study because of the range in rate of entrepreneurship in counties across the region. The entrepreneurship rate in New York metroplitant region was ten percent (10%) during the period of this study. In addition to being well below the national high of twenty eight percent (28%), there is a significant range among

counties in the metropolitan region, with a low of 5.70% in Bronx County and a high of 12.8% in

New York county as shown in figure 3.
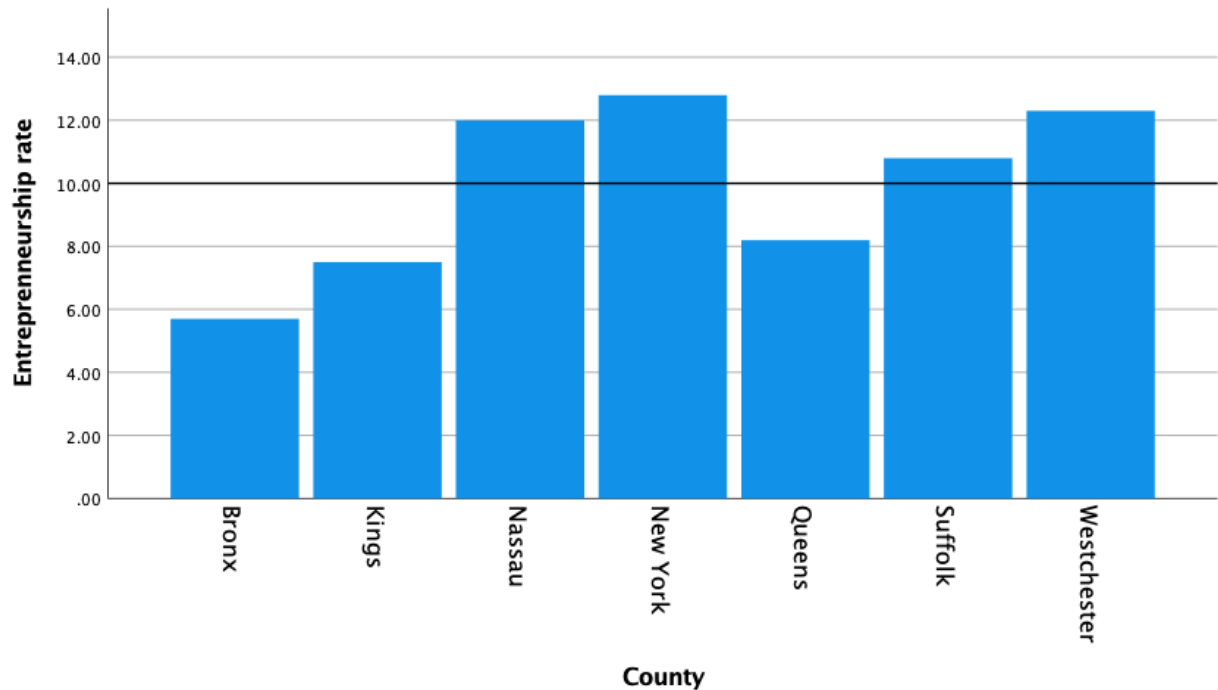
Figure 3: The Rate of Entrepreneurship in New York Metropolitan Counties-
developed in SPPS from the Self-Employment Variable in the PUMS 5% file for 2000

The Predictor Variables

The predcitor variables are taken from the SCCBS, which is a cross-sectional

dataset.

Social trust. Consistent with other research (Kwon et al., 2013), social trust and

voluntary organization membership are the social capital measures used as predictor

variables. I used two measures of social trust, namely generalized social trust and

perceived social mistrust. Generalized social trust is a variable contained in the SCCBS.

It is constructed from reponses to several questions respondents were asked about how

much they trust others in their community, their racial group and other racial groups. For

example, in separate questions, respondents were asked how much they can trust people

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in their neighborhood, people they work with, people at their place of worship, people at stores they shop at, the police, local news, and how much they trust people generally. These responses were then weighted and aggregated by the Saguaro Seminar at the John F. Kennedy School of Government, Harvard University, to construct a measure of generalized social trust. I aggregated the generalized social trust scores for individuals within a community to arrive at a mean score for each community, which was used as the community level generalized social trust variable.

I constructed the perceived social mistrust variable by combining responses from individuals to a series of questions on their perception of how other members of the communty and institutions trust or distruct them and treat them fairly or unfairly. This measure of trust was previously used by Jackman & Miller (1998) and Rosenfeld, Messner, & Baumer, (2001). Table 1 contains a list of the various survey items used to construct this and other social capital variables used in the study.

Voluntary organization membership. The measure of voluntary organization membership was also taken from the SCCBS. Organizations are either categorized as isolated organizations or connected organizations based on the level of connectedness of their members. I coded organizations with members who are also members of other organizations as connected organizations and those whose members do not have memberships in multiple organizations as isolated organizations. This measure was achieved by aggregating SCCBS responses to questions on organizational membership. Using the same dataset, Kwon, et al. (2013), identified two types of organizations that stood out as outliers on the low extreme of connectedness. These are regilous organizations and sports organizations. They coded these as isolated organizations and all

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other types of organizations as connected organizations. The connectedness scores of the various types of organizations developed by Kwon, et al. (2013), are conntained in Appendix 1. I adopted the same classification and coded religious and sports organizations as isolated organizations and all other organizations as connected organizations.

Supportive Environment. Supportive Emvironment is operationalized as exposure to entrepreneurs through entrepreneurship related organizations. At the individual level, this variable is usually constructed as a measure of respondents' close friends and family members that are entrepreneurs, and ties to entrepreneurship related organizations. These measures are either used individually or commulatively. For this study, I used ties to entrepreneurship organizations to construct a community level measure. The SCCBS does not include data on repondents ties to close friends and family members who are entrepreneurs. So, these measures were not available to be used commulatively with ties to entrepreneurship organizations.

The Criterion Variable

Entrepreneurship. Entrepreneurship is the criterion variable. The study focuses on two entrepreneurial outcomes, namely self-employment and firm creation using data from the Pubic Use Microdata Sample (PUMPS) from the 2000 census 5 percent file. The PUMPS is also a cross-sectional dataset. In the PUMS, each county is divided into a number of smaller units called Public Use Microdata Areas (PUMAs). A PUMA is a geographic boundary used by the Census Bureau, consisting of at least 100,000 people. It may be different from established administrative areas such as towns. For example, a PUMA may consist of one or more towns or a town may be split into

more than one PUMA. PUMAs were created in 1990 by state data centers (SDCs) in cooperation with regional, state, local, and tribal organizations and are assigned codes as geographic identifiers for accurate and consistent matching of communities in surveys and censuses (U.S. Census Bureau, 2010). The SCCBS contains geographic identifiers that were used to match communities in the SCCBS with PUMAs so that there is geographic compatibility with the PUMS. Further, a PUMA is a variable contained in the PUMS. For this study, a community is a PUMA in the New York metropolitan region. A total of eighty three PUMAs (83 communities) make up the population from which samples were drawn.

The PUMPS is frequently used to measure employment (Portes & Zhou, 1996; Sanders & Nee, 1996). I used self-employment to measure the level of entrepreneurship and firm creation as a measure of the formation of entrepreneurial growth aspiration. Self-employment is one of the measures that is widely used as a measure of entrepreneurship (Kwon et al., 2013). I constructed the self-employment variable from a measure in the PUMS data which records whether respondents are self-employed or have regular wage employment, following Kwon, et al., (2013). The measure considers individuals' primary employment, so a tenured professor who supplements his or her income with occasional consultancy service, falls in the regular wage employment category rather than self-employment. This is consistent with the notion that entrepreneurship is a career choice. Further, within the PUMS, there is also information about whether self-employed respondents operate an incorporated or unincorporated business. Using this information, I disaggregated the self-employment variable to create a new variable that is a measure of unincorporated self-employment and incorporated self-employment. Incorporated businesses are a proxy measure of the formation of entrepreneurial growth aspiration and

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unincorporated businesses are a proxy measure of the absence of entrepreneurial growth aspiration (Henrekson & Sanandaji, 2020). They are not intended to measure actual entrepreneurial performance but rather, are used as proxies of the intensity of entrepreneurial intent. Whether the intent materializes is not the focus of this research. The incorporation of limited liability firms is generally considered a measure of intent to pursue entrepreneurial growth (Henrekson & Sanandaji, 2020).

To assess the impact of social capital on entrepreneurship, I merged the community level scores for the social capital variables from the SCCBS with the PUMS from the 2000 Census 5 percent file. The community score for each social capital variable was attached to each indivdiual in the matching community in the PUMS data. The assumption is that a community's resource is available to every individual in the community. This merge was accomplished by matching PUMAs from the SCCBS with PUMAs from the PUMS Census data. To use PUMAs from the SCCBS as geographic identifiers, I obtained and used the supplemental geographic codes contained in the SCCBS Restricted Use Dataset from the Roper Center for Public Opinion Research.

I also controlled for various community and individual level variables. To control for heterogeneity in communities and to minimize the chance that the self-employment rate in some communities is higher than others because of its residents, I controlled for population density, level of education, citizenship status, length of residency in a community, sex, and race as reflected in Table 1. I controlled for these variables because they are widely acknowledged as related to entrepreneurial outcomes and have been used in other studies (Kwon, et al., 2013; Ruef & Kwon, 2016; Saxton & Benson, 2005).

Table 1: Operationalization of Variables

Type	Variables	Factor Measurement Items	Dataset
Predictor	General Social Trust	• General interpersonal trust • Trust neighbors • Trust co-workers • Trust fellow congregants • Trust store employees where you shop • Trust local police	**SCCBS**
Predictor	Perceived Trust	• Perception that people believe respondent is dishonest • Perception of whether people who running the community care about the respondent • Perception of discrimination	
Predictor	Organization Membership: • Isolated Organizations • Connected Organizations • Entrepreneurship Organizations		**SCCBS**
Outcome	**Entrepreneurship**	• Self-Employment • Incorporated self-employment	**PUMS**
Control	• Population Density • Length of Residency • Education • Race • Sex • Citizenship Status		**PUMS**

CHAPTER 5

RESULTS

The total number of cases is 492,955. The large size of the data means that the sample

mean would be closer to the population mean. As shown in Table 2, Social Trust, and Organized

Activism are the two variables with the largest range and standard deviation. This means that

differences in social capital within communities are most pronounced along these two

dimensions of social capital. The mean social trust score is 0.358 with a minimum of -0.899 and

a maximum score of 0.248, resulting in a range of 1.147. Organized activism has a mean of

0.010 and a range of 0.696 from a minimum of -0.283 and maximum of 0.413. The mean

isolated organization score is 0.634 while the mean for connected organizations is 0.731. Figure

4 shows wide disparity in the level of the various dimensions of social capital within and among

the counties. This variance allows for better observation of the relationship between individual

dimensions of social capital and entrepreneurship. Table 3 shows the difference in the racial

density of the counties from which cases are drawn. I controlled for multicollinearity using

robust standard errors.

Table 2. Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation
Social Trust	492955	1.147	-0.899	0.248	-0.358	0.305
Isolated Organization	492955	0.231	0.500	0.731	0.634	0.071
Connected Organization	492955	0.274	0.615	0.889	0.731	0.080
Entrepreneurship organization	492955	0.350	0.150	0.500	0.355	0.088
Organized activism	492955	0.696	-0.283	0.413	0.010	0.212
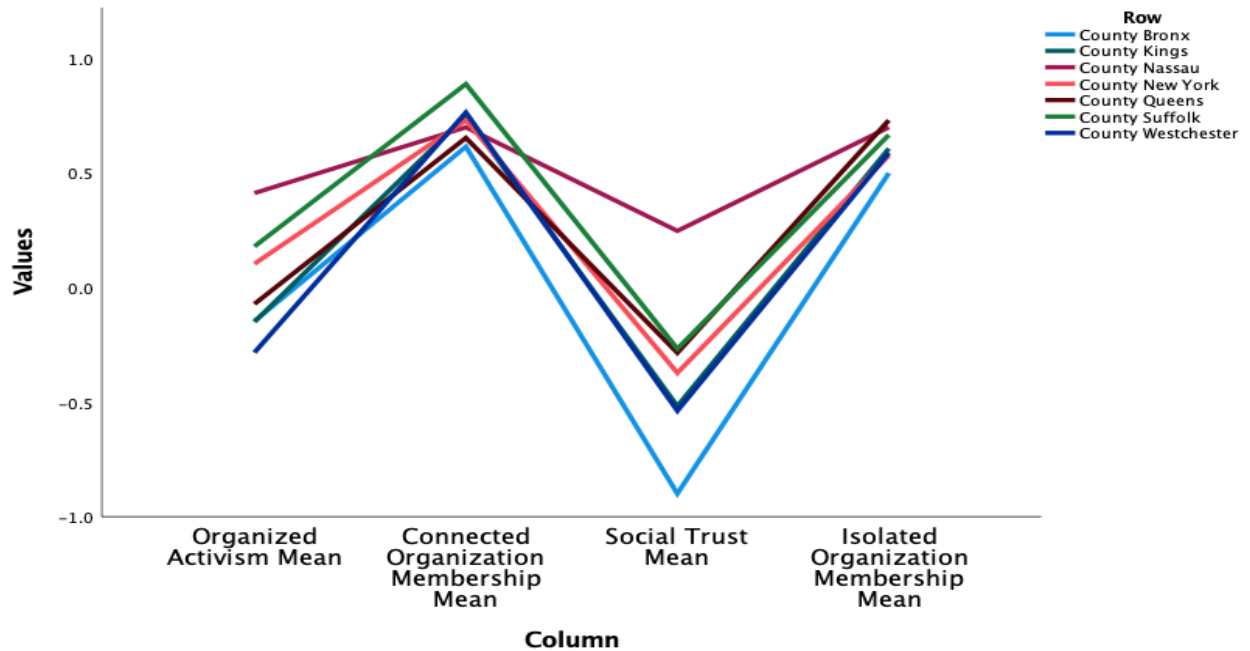
Figure 4:Levels of Dimensions of Social Capital Within Counties

Table 3. Descriptive Statistics
For Race Variable

County	White	Black	All Others
Bronx	30.70%	33.10%	36.20%
Kings	45.70%	31.90%	22.40%
Nassau	81.00%	9.10%	9.9%
New York	53.60%	16.70%	29.70%0
Queens	43.60%	20.40%	36.10%
Suffolk	85.00%	6.70%	8.30%
Westchester	72.10%	13.30%	14.60%

Table 4 shows the results from a series of logit models used to estimate the relationship

between social capital and self-employment as a measure of entrepreneurship. A logit model was

necessary because the criterion variable is dichotomous. Model 1a explored the relationship

between generalized social trust and self-employment. I found that for every unit increase of

generalized social trust in a community, the odds of individuals in that community choosing self-

employment instead of regular wage employment, increases by a factor of 1.226 or 0.226%. This supports hypothesis 1a that Generalized Social trust will be positively related to self-employment. Model 1b, explored the relationship between perceived social mistrust and self-employment. I found no significant relationship between perceived social mistrust and self-employment. The odds of an individual living in a community with elevated perceived social mistrust, choosing self-employment instead of regular wage employment, is 0.98 or -0.02% for every unit increase in perceived social mistrust. This is almost a 1 to 1 ratio. Therefore, hypothesis 1b which proposes that perceived social mistrust will be negatively related to self-employment is not supported.

Model 2a explored the relationship between voluntary organization membership and self-employment. I found that the odds of an individual choosing self-employment over general wage employment increases by a factor of 2.675 or 1.675% for every unit increase of connected organization membership in the community. Therefore, there is a strong positive relationship between connected organization membership and self-employment. Hypothesis 2a, which proposes a positive relationship between bridging social capital and entrepreneurship is therefore supported. The results of the relationship between connected organization membership and self-employment in the various counties is shown in the graph at Figure 4. Kings County is the one outlier. The graph shows that Kings County has a mean rate of entrepreneurship of 7.5% and a connected organization score of 0.75. This is slightly above New York County's connected organization score of 0.73 but below its entrepreneurship rate of 12.8%. So, Kings County has a slightly higher connected organization score than New York County but a significantly lower entrepreneurship rate. This outlier case may be explained by Table 3 which shows that Blacks made up 31.90% of the cases from Kings County while Whites accounted for 45.70%. In New

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York County, Blacks made up a mere 16.70% of respondents while Whites made up 53.60%. This is expressed more fully in hypothesis 4b which explores whether the relationship between community social capital and entrepreneurship is stronger for dominant than marginal groups.

For isolated organization membership, I found that the odds ratio of an individual choosing self-employment instead of regular wage employment is 0.112 or 0.888% less for each unit increase in isolated organization membership. Hypothesis 2b which predicts that *Strong bonding social capital will generally be negatively related to entrepreneurship,* is therefore supported.

In Model 2b I explored the relationship between a supportive entrepreneurial environment and self-employment. I found that membership in entrepreneurship organizations has a much stronger positive relationship with self-employment than connected organizations. The odds of an individual choosing self-employment instead of regular employment increases by a factor of 8.885 or 7.885% per unit increase in entrepreneurship organizations membership within a community. Since membership in entrepreneurship organizations is a measure of supportive entrepreneurial environment, hypothesis 2c which predicts that *Strong bonding social capital will be positively related to self-employment if the environment is supportive of entrepreneurship,* is supported.

Table 4. Logit Models Predicting the Effect of Community Social Capital on Self-Employment

	Model 1a	Model 1b	Model 2a	Model 2b
Intercept	-2.766***	-2.823***	-1.925***	-2.222***
Generalized Social Trust	1.226***		1.759***	
Perceived Social mistrust		0.98		
Isolated Organizations			0.112***	0.116***
Connected Organizations			2.675***	
Entrepreneurship Organizations				8.885***
Population density	24.309***	5.21*	6.051*	1.989
Residence 5 Years	1.219***	1.223***	1.225***	1.223***
>1 U.S and Foreign Residence in 5 Years	0.714***	0.713***	0.715***	0.713***
> 1 U.S. Residence in 5 Years	0^b	0^b	0^b	0^b
No College Education	0.571***	0.567***	0.584***	0.588***
Some College Education	0.581***	0.579***	0.595***	0.599***
College Graduate	0.66***	0.66***	0.669***	0.67***
Advance College Degree	0^b	0^b	0^b	0^b
White	2.466***	2.525***	2.38***	2.431***
All Other Races	1.603***	1.626***	1.613***	1.639***
Black	0^b	0^b	0^b	0^b
Male	1.969***	1.971***	1.971***	1.971***
Female	0^b	0^b	0^b	0^b
U.S. Born Citizen	0.724***	0.729***	0.684***	0.697***
Citizen by Birth in Other U.S. Territory	0.492***	0.477***	0.479***	0.485***
Born Abroad of U.S. Parents	0.849	0.849	0.817*	0.824*
Naturalized Citizen	1.068**	1.072**	1.072**	1.069**
Not U.S. Citizen	0^b	0^b	0^b	0^b

a The reference category is: Employee.
b This parameter is set to zero because it is redundant (reference group).
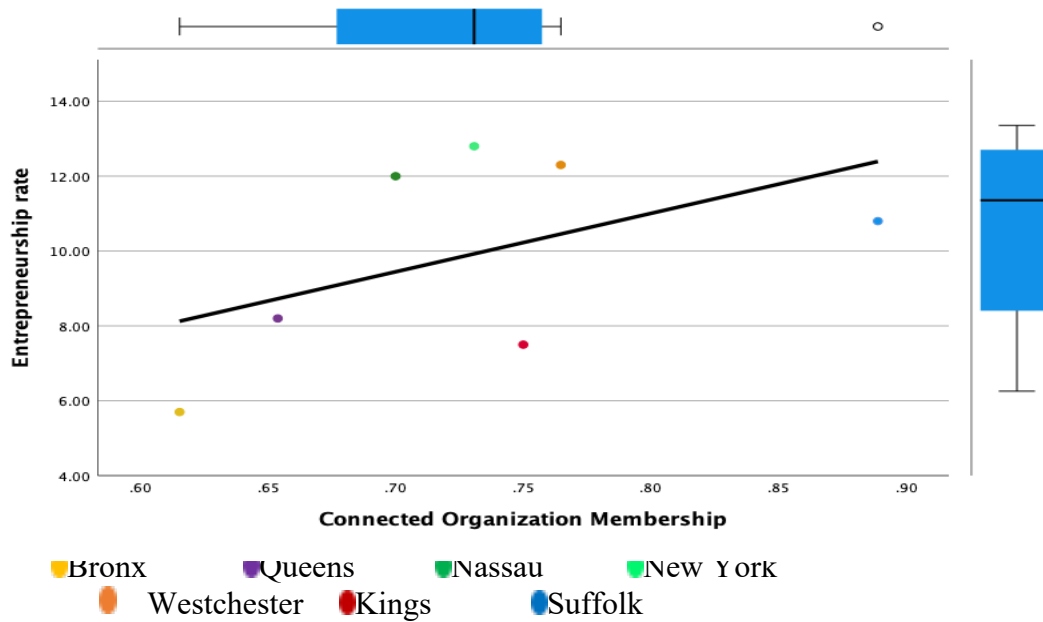c * < .05%; ** < .01; *** < .001 (two-tailed test)

Figure 5: Relationship Between Connected Organizations and Entrepreneurship

Table 5 shows the results for Model 3 and Model 4. Model 3 explored the relationship

between organizational membership and incorporated self-employment. I found that the odds

ratio of an individual choosing incorporated self-employment over unincorporated self-

employment decreases by 0.489 times or 0.511% for every 1 unit increase in aggregate isolated

organization membership in a community. This finding supports hypothesis 3a which predicts

that strong bonding cognitive social capital will be negatively related to the formation of

entrepreneurial growth aspiration. This means that an individual in a community with a higher

level of isolated organizations is less likely to have entrepreneurial growth aspiration than an

individual in a community with a lower level of isolation organizations. I also found that

individuals in communities with elevated connected organization membership have odds of

2.323 or are 1.323% more likely to choose incorporated self-employment over unincorporated

self-employment than individual in a community with 1 unit less connected organization

membership, holding everything else constant. Therefore, hypotheses 3b which predicts a

positive relationship between bridging social capital and entrepreneurial growth aspiration, is also supported.

Model 4 explored the relationship between organized activism and incorporated self-employment. I found that a unit increase in organized activism, increases the odds of an individual choosing incorporated self-employment over unincorporated self-employment by 1.726 times or 0.726%. Hypothesis 4a which predicts that linking social capital would be positively related to the formation of entrepreneurial growth aspiration, is therefore supported.

Across all models, the entrepreneurial enhancing effect of generalized social trust is greater for Whites than Blacks and all other races. The odds of an individual who is White choosing self-employment instead of regular wage employment, is 2.466 times or 1.466% greater than Blacks. The effect for all other races is 1.603 times or 0.603% greater than Blacks. The effect of elevated generalized social trust in a community is also greater for individuals who lived in the same home for 5 years than those who lived at multiple addresses. Holding other community and individual variables constant, the odds of an individual who lived at the same address for at least 5 years, choosing self-employment instead of regular employment, is 1.219 or 0.219% greater than individual who lived at multiple addresses in the U.S. over the same period. Individuals who lived at the same address also have odds of self-employment that are 1.707 times or 0.707% greater than individuals who lived at a combination of U.S. and foreign addresses within 5 years. The entrepreneurial enhancing effect of organized activism continues to be greater for Whites than all other races. The odds ratio of Whites choosing incorporated self-employment over unincorporated self-employment is 1.793 or 0.793% greater than Blacks and 1.064 times or 0.064% greater than all other races. The odds of all other races choosing incorporated self-employment over unincorporated self-employment is 1.685 or 0.685% greater

than Blacks. Both Model 3 and Model 4 show a strong positive relationship between level of education and the decision to pursue incorporated self-employment instead of unincorporated self-employment. It shows a sharp increase of 0.25% in the odds of individuals with some college education choosing incorporated self- employment over unincorporated self-employment compared with individuals with no college education. The effect then begins to decline for college graduates, followed by a sharp decline for individual with an advanced college degree. Hypothesis 5b which predicts that the positive relationship between linking social capital and the formation of entrepreneurial growth aspiration, will be stronger for dominant groups than marginal groups, is therefore supported.

Table 5. Logit Models Predicting the Effect of Community Social Capital on Type of Self-Employment

		Model 3	Model 4
Type of Self-Employment		Exp(B)	Exp(B)
Incorporated self-employment	Intercept	-1.708***	-1.727***
	Generalized Social Trust	1.771***	
	Connected Organization	2.323***	
	Isolated Organization	0.489*	
	Organized Activism		1.726***
	Population density	3.92E-05	1.87E-06***
	Residence 5 Years	1.003	1.005
	>1 U.S and Foreign Residence in 5 Years	0.788**	0.787*
	> 1 U.S. Residence in 5 Years	.	.
	No College Education	1.291***	1.273***
	Some College Education	1.615***	1.594***
	College Graduate	1.548***	1.54***
	Advance College Degree	0^b	0^b
	White	1.741***	1.793***
	All Other Races	1.684***	1.685***
	Black	0^b	0^b
	Male	1.93***	1.928***
	Female	0^b	0^b
	U.S. Born Citizen	1.157**	1.173***
	Citizen by Birth in Other U.S. Territory	0.739*	0.709*
	Born Abroad of U.S. Parents	1.276	1.274
	Naturalized Citizen	1.433***	1.436***
	Not U.S. Citizen	0^b	0^b

a The reference category is: unincorporated-self-employment
b This parameter is set to zero because it is redundant (reference group).
c * < .05%; ** < .01; *** < .001 (two-tailed test)

CHAPTER 6

DISCUSSION AND IMPLICATIONS

The entrepreneurship literature has focused primarily on individual factors to explain why some people decide to pursue entrepreneurship and others do not, with little attention given to the role community factors play. Consequently, while social capital is recognized as a factor that contributes to entrepreneurial outcomes, its contribution in the entrepreneurship literature is assessed at the individual level with very few studies focusing on the entrepreneurial enhancing effect of community social capital. The findings of this study, show that in addition to individual factors, a community's social context may be positively or negatively related to entrepreneurship. This is consistent with the only known study that explored the relationship between community social capital and self-employment in the United States, which found that community level social capital has stronger positive correlation with entrepreneurship than individual level social capital (Kwon, et al., 2013). The current study went further to identify the relationship of specific dimensions of community social capital and entrepreneurship. It establishes a negative relationship between bonding social capital and entrepreneurship while bridging and link social capital are positively related to entrepreneurship.

The finding that bridging social capital has the strongest positive relationship with entrepreneurship, is significant considering the tension between the cooperation school and the competition schools of thought. The cooperation school considers bridging social capital as the most valuable dimension of social capital because of its role in facilitating collective action. On the other hand, the competition school places greater emphasis on linking social capital because of its ability to influence the formation and conduct of other dimensions of social capital. The results of this research contribute to this issue by establishing that bridging social capital

dominates with respect to the rate of entrepreneurship while linking social capital dominates with respect entrepreneurial growth aspiration.

Further, community social capital is presented in the literature as a great equalizer through which disadvantaged individuals who lack recognition, reputational capital, and resources, could get ahead. In this respect, the findings of this study are significant because they show that the entrepreneurial enhancing benefits of community social capital are not a great equalizer for disadvantaged individuals. Instead, the benefits of community social capital depend on an individual's level of inclusion and integration in the community. This means, that instead of serving as an equalizer, community social capital is enabling entrepreneurship among dominant groups at a much higher rate than marginal groups. This is the implication of the finding that individual factors such as length of residency, sex, race, level of educational attainment, and citizenship status, determine the extent to which individuals benefit from community social capital. These factors are likely to influence the strength of an individual's ties to the community. For example, as ties to the community increases through residency for a period of five years or more, the odds of an individual choosing self-employment instead of regular wage employment, increases. Sex and race are individual factors that are associated with dominance, influence, and level of inclusion of a group. Male and Whites are dominant groups while women and Blacks are considered marginal groups that are less integrated at various levels in society (Gelderblom, 2018). Consistent with the proposition that groups on the fringes of society benefit less from community social capital, I found that the odds of Blacks and women choosing self-employment instead of regular waged employment, are significantly less than that of Whites and men.

Though I found that immigrants are more likely to pursue self-employment over regular wage employment than individuals born in the United States, Kwon, at al. (2013), who use the same datasets, made a similar finding in commuities across the U.S. but they also found that as community social capital increases, the difference in self-employment between immigrants and persons born in the U.S. decreases progressively. Therefore, they concluded that the entrepreneurial enhancing benefit of community social capital is greater for persons born in the United States than immigrants. So, the findings of this study are consistent with that of Kwon, et al., (2013) which concluded that the entrepreneurial enhancing effect of community social capital is weaker for immigrants than U.S. born citizens. These findings are consistent with the inference that inclusion and integration are necessary to unlock the benefits of community social capital. The New York metropolitan area has long been recognized to be a melting pot and sanctuary for immigrants. Immigrants may be engaging in self-employment rather than in regular wage employment because of necessity rather than choice because their employment prospects may be much weaker than those of U.S. citizens by birth. Immigrants' employment experience and education are usually less relevant in the United States, even for persons with advanced degrees, which makes landing employment difficult (Davidsson & Benson, 2003). Therefore, as a practical matter, entrepreneurship within a community could be increased through more inclusive social structures that increase the level of connected organizations.

The study's finding that social trust is highly related to individuals' odds of self-employment, is also important. This is so because dominant groups are likely to have higher levels of trust than marginal groups. This has implications for African Americans and other marginalized groups that are likely to have lower levels of trust. This lower level of trust could negatively impact other dimensions of social capital, such as organizational membership. Other

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studies have concluded that social trust is the prerogative of the winners in the world (Kwon, et al., 2013; Newton, 1999). The inference is that social trust forms part of the cognitive dimension of social capital, which relates to individuals' feeling of inclusion or exclusion from social groups (Harpham, 2008). From a policy perspective, inclusive communties could lead to a greater sense of belonging that increases social trust and by extension, the rate of entrepreneurship.

The findings from this study also contribute to the understanding of the relationship between linking social capital and entrepreneurial outcomes. Studies on the relationship between social capital and entrepreneruship are usually restricted to horizontal connections that constitute bonding and bridging social capital, ignoring the vertical connections that constitute linking social capital (Kwon, et al., 2013). I found a significant positive relationship between vertical instutional networks and the formation of entrepreneurial growth aspiration. This finding is consistent with Gelderblom's (2018) findings on the role of linking social capital. Importantly, I find that the entrepreneurial enhancing effects of vertical connections is much weaker for Blacks and other marginalized groups than for Whites and other dominant groups. Notably, oragnized activism and social trust are the dimension of social capital with the greatest variance across communities. This is important because these dimensions also serve as antecedents/predictors for other dimensions of social capital. It underscores the need for inclusivity, diversity and a sense of belonging within influential institutions. As a practical matter, marginal groups could seek to bridge to dominant groups instead of forming isolated, homogenous organizations that amplify social isolation.

CHAPTER 7

LIMITATIONS, CONTRIBUTION AND SCOPE FOR FUTURE RESEARCH

There are some limitations to this study. First, because the sample frame is restricted to the New York metroplitan region, the findings may not be generalizable to rural and remote areas that are likley to have distinctly different characteristics and structures. For example, Light & Dana (2013), found that rural communities have distinct characteristics from urban communities. Kwon, et al. (2013), also cautioned that findings from studies in urban communities on the relationship between social capital and entrepreneurship, may not be generalizable to rural communities. However, the results may be genralizable to urban communities across the United States. In support, Kwon, et al., (2013) found that urban communities across the United States have similar characteristics.

Another limitation of this study is the use of secondary source data. Though the SCCBS measures dimensions of social capital, it was not designed specifically for the purpose of this study. For example, absence of information on individuals' exposure to friends and family members who are entrepreneurs, weakens the conclusion on the relationship between supportive and non-supportive habitus and entrepreneurship. However, this limitation is compensated for by the size of the datasets. I recognize a similar limitation with the data on entrepreneurship taken from the PUMS. Here, the self-employment data used as a measure of entrepreneurhsip, only include individuals who pursue self-employment as their primary source of income and therefore, do not capture the entrepreneurial efforts of individuals who derive their primary source of income from regular wage employment. Puryear, et al. (2008), have noted that a general limitation with data on entrepreneruship is the reliance solely on information reported to

government agencies. However, this study benefits from very large datasets which means that the sample mean is likely to be a more accurate reflection of the true population mean.

Despite the above noted limitations, this study makes a significant contribution to the literature. It advances the literature on social capital's boundary condition by identifying the contexts in which specific dimensions of social capital are positively or negatively related to entrepreneurship. Therefore, it moves the literature beyond general statements about social capital's relationship to entrepreneurship. For example, we now know that it is not merely the amount of social capital available within a community that determines entrepreneurial outcomes but also the dimensions of social capital. This study has identified the dimensions of social capital that are positively related to entrepreneurship and those that are negatively related. Particularly, it has identified the dimensions of social capital that are positively related to entrepreneurial growth aspiration. Notably, this study clarifies the role of community social capital in entrepreneurial outcomes. Specifically, it provides emperical evidence that community social capital is not a great equalizer for marginal groups as suggested in the literature. Instead, it increases the agency of dominant groups in ways that may exascerbate inequality. Its contribution to social capital's dark side effects fills one of the gaps that existed in the entrepreneurship literature.

There is scope for a wide range of future research on dark side effects of social capital. Potential exist for research on whether subordinate groups that develop strong bonding social capital are able to succesfully mount a challenge to the suppression effect of dominant groups with high linking social capital. Light & Dana (2013), suggest that this outcome is a likely exception to the suppression effects of dominant groups but the proposition has not been emperically examined. They also suggest that suppression effects could also be avoided if

subordinate groups bridge to dominant groups. Thus, future research may examine whether

bridging from subordinate groups to dominant groups enables rather than retard

entrepreneurship. From an organizational standpoint, future research may explore dimensions of

social capital and network configuration that may retard organizational ouctomes. A research

question along this line that has been proposed by Gedajlovic et al. (2013), for future

consideration, is – what are the potential sources of synergy and destructive conflict between

types and levels of social capital?

Given the importance of organized activism to the formation of entrepreneurial growth

aspirations, future research should be dedicated to further examination of this relationship. One

area of concern is the extent to which dominant groups have higher levels of organized activism

than marginalized groups. Another area that should be the focus of future research is the extent

to which different types of organized activism engaged in by Blacks and Whites contribute to

different outcomes.

CHAPTER 8

CONCLUSION

This research found that social capital is not always positively related to entrepreneurship. Rather, bonding social capital is negatively related to entrepreneurhip. However, bonding social capital may be positively related to entrepreneurship in an environment that is supportive to entrepreneruship. A supportive environment exist when close bonding relationships include connections with entrepreneurs. On the other hand, bridging social capital is positively related to entrepreneurship within a community. This positive relationship is found with the formation of the rate of entrepreneurship and entrepreneurial growth aspiration. Further, social trust is positively related to the level of entrepreneruship in a community. Similarly, linking social capital and exposure to entreprenuers are positively related to entrepreneurship. Another important finding is that the positive correlation between community social capital and entrepreneurship is related to the level of integration of an individual in social structures of the community. The literature would benfit further from future emperical works that explore how marginal groups could benefit more from the social capital within their community.

Appendix 1
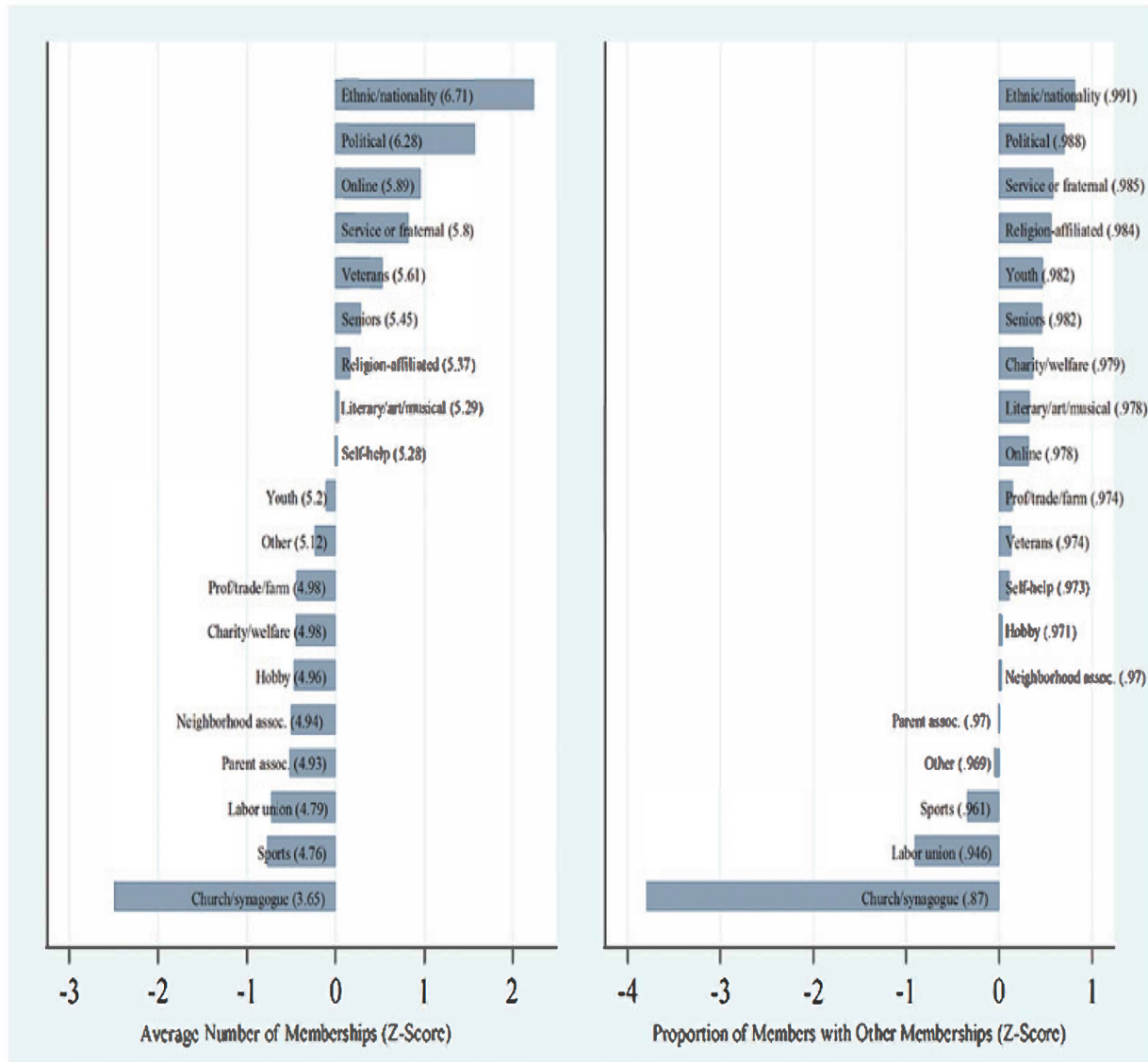
Differentiating Forms of Voluntary Organizations by Connectedness of Members *Note:* Raw scores in parentheses. Kwon et al. (2013)

Appendix 2

Descriptive Statistics and Correlation Coefficients for Study of Variables.

Variables	M	SD	1	2	3	4	5	6	7	8	9
1. Type of employment	1.1	0.3	1.0								
2. Type of Self-Employment	1.4	0.5	.a	1.0							
N			26448								
3. Generalized Social Trust	-0.4	0.3	.04**	.10**	1.0						
N			275159	26448							
4. Population density	0.0	0.0	-.01**	-.10**	-.38**	1.0					
N			272031	26069	487390						
5. Organized activism	0.0	0.2	.04**	.09**	.83**	-.22**	1.0				
N			275159	26448	492755	487390					
6. Connected Organization	0.7	0.1	.04**	.06**	.17**	-.31**	.24**	1.0			
N			275159	26448	492755	487390	492755				
7. Isolated Organization	0.6	0.1	.01**	.08**	.77**	-.47**	.43**	.08**	1.0		
N			275159	26448	492755	487390	492755	492755			
8. Perceived Social Trust	0.8	0.2	.00*	-.04**	-.11**	.43**	.23**	.16**	-.02**	1.0	
N			272031	26069	487390	487390	487390	487390	487390		
9. Educational attainment	2.8	0.8	.09**	-.08**	.04**	.07**	.04**	.03**	-.04**	-.01**	1.0
N			160380	16888	188904	186315	188904	188904	188904	186315	
10. Entrepreneurship Org.	0.4	0.1	.05**	.11**	.93**	-.39**	.68**	.41**	.71**	-.20**	.07**
N			272031	26069	487390	487390	487390	487390	487390	487390	186315

** Correlation is significant at the 0.01 level (2-tailed); * Correlation is significant at the 0.05 level (2-tailed); a. Cannot be computed because at least one of the variables is constant.

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