

Social Capital for Entrepreneurs

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Abstract – Social capital is known as a key wealth underlying the development of nations, providing an environment of mutual respect, reciprocity and community awareness where strong civil societies can flourish. This paper shows how the development of social capital is included as a main topic in an entrepreneurship program for undergraduate students. It constitutes an approach to work on aspects like ethics and social responsibility that is very appropriate in the context of entrepreneurship education. An activity is described where students are asked to generate social capital within their own community. In teams, they have to approach the owner or manager of a small business to perform a one-month technological, marketing or administrative work for the benefit of the business. Participants report that a major challenge is to conquer the owner's confidence, even after explaining that no financial compensation is expected by the team and its goal is simply to generate social capital. Best results are reported by teams that have developed a relation of mutual enrichment, where the students contribute with their specialized knowledge and, in turn, share the life experience from the person being benefited.

Index Terms – Entrepreneurship education, Social awareness, Social capital.

INTRODUCTION

The Minerva Entrepreneurship Program (MEP) is an initiative under development at the authors' institutions, the objective of which is to complement the formation of the students with abilities that are essential in modern societies. In principle, the academic formation must stimulate students to assume the guidance of their careers, and to be a rigorous boss of themselves. They should also channel their energy on enterprises that foster economic and social development. These concepts are declared in the strategic plan of the author's institution, which soon should be ready to spawn the Engineer of the next decade [1].

The MEP has been developed under three basic principles.

- Entrepreneurial attitudes and behaviors are developed faster through participative dynamics.
- Team-based entrepreneurship mobilizes important resources that are unavailable or difficult to access for the solitary entrepreneur.

- Only enterprises with solid ethical basis and awareness of their social responsibility are capable of satisfying our body, mind and soul, favoring the success in the long run, in detriment of short term profits.

Therefore, there is a need for establishing, at the very beginning of the Program, the framework under which the entrepreneurship concept has to be understood. The second module of the MEP, called "Generation of Social Capital", provides a team activity where the students can face these principles in real situations. This activity is ethical and socially responsible.

THE CONCEPT OF SOCIAL CAPITAL

Right in the first module of the MEP – called "Entrepreneurship Marathon" [2], the following problem is presented to the group, based on [3].

A certain day at home you receive a letter from a famous billionaire. The letter says: "*Dear Sir, I've sent this same letter to twenty people around the world that think exactly like you do. I intend to donate one billion dollars to one among those twenty. If you want the money, you just have to respond 'yes' by email in 24 hours. However, if I receive two or more positive answers then nobody will receive the money. Of course, if nobody sends me a 'yes', nothing will be given at all. Any attempt of communication or cooperation among you twenty people will automatically invalidate my offer.*"

What should you do? At first, it seems that only two possible actions are possible: to accept or to refuse the offer. If you do accept, you must wait that the other nineteen addressees will think the same and, therefore, your probability of receiving the donation is zero. If you do not accept, the probability is also null.

This is a kind of problem similar to the Prisoner's Dilemma, described in [4]. It is impossible to make a satisfactory decision unless one changes the point of view, from the individual to the group profit. A strategy exists that gives the candidate a probability of a little less than 2% of winning, which it is surely better than the null probability that results when facing the problem under an exclusively individual approach. Readers interested in knowing this strategy should read reference [3].

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For those more avid for a complete example, we can examine a less sophisticated dilemma, that was spammed in the internet some years ago (unknown author).

During a terrible snow storm, you are driving on a desert road and see three persons poorly getting shelter under a bus stop. One is an old woman who is very special to you, having helped you to grow up, and you know that she is very sick. The second is a friend that once saved your life. And the third is the secret love of our life! Unfortunately, your car can take only two passengers. It is night, the storm is getting worse, and people can die if left there.

What should you do? It seems that no satisfactory solution exists if you try to answer the question “*How can I minimize my losses?*”. Saving any one of them would leave behind two people that are equally important to you.

However a very natural and satisfactory solutions arises if you pose yourself the following question instead: “*How can I maximize the odds for the entire group – including me?*”.

The solution is: lend the car to your friend to take the old woman to a safe place, and you stay with the love of your life, waiting your friend return with help to rescue you both.

Of course, such solution implies that you care about the group and that you really believe the others care about you. Mutual trust is the main indicator of the prevalence of Social Capital inside a group.

Franco [5] explains that Social Capital appears and is nourished inside a society when its members cooperate and believe on the same values. Then, its members are capable of subordinating individual concerns to collective ones, and working together for common objectives and mutual profit.

Social Capital works as a leveraging wealth that fosters the following phenomena:

- The society better exploits new opportunities
- The efficiency of institutions and organizations are improved
- Transaction costs are reduced
- The use of force on conflict regulations is reduced

Tocqueville [6], while studying American societies of small cities of New England in the beginning of 20th century, observed remarkable characteristics like associability, mutual support and respect to common values. Nowadays sociologists credit those characteristics to a large extent as responsible for the present success of the American economy.

Differently from natural capital or human capital, the social capital does not belong to an individual, but to a group. Social capital grows when used and diminishes on inactivity. It can be measured, for example when it substitutes trust between partners for legal guarantees in loans between people of a community.

The advantages of the team-based entrepreneurship are obvious – for example,

- Mutual support

- Establishment of a work pace that does not rely on the individual’s mood
- Synergy on discussion and planning meetings
- Multiplication of resources at hand

However, actual experience shows that several illusory blockings seem to exist that gradually reduce the effectiveness of a group. In order to surpass the obstacles of the initial phases, one team has to build some necessary environment conditions that are naturally prevalent in societies with good stocks of social capital.

- Empathy in communication
- Mutual encouragement
- Solidarity
- Good humor
- Reciprocity based on mutual confidence.

ACTIVITY DESCRIPTION

The following challenge is presented to the participants: Each team, consisting of three to five participants, must approach the owner or the manager of a small business such as a restaurant or stationery store.

It is desirable that at least one of the participants live close to the elected store to foster the insertion on their communities. However, they are instructed to not execute this activity on a business where the participants already have a previous established friendship or any family relation with the managers. The reason is that a key challenge of this activity is to conquer the confidence of a stranger.

After being accepted by a manager, the team has to develop a consulting project, regarding any aspect of the business which can be helped by the participants. It has to result in some benefit for the business. It may consist of the implantation of an administrative tool, a marketing support or an improvement on the physical layout of the place, for example.

The activity has to be completed in a four to five-week period. As a help, the students are given a example questionnaire that suggests a list of aspects which the team can work on at a small restaurant. Each team must present a report at the end of each week, telling their progress. At the end of the stated period, the teams meet to show the results. Table 1 shows a resumed chronogram of activities and reports.

The participants’ work can not be paid. On the other hand, the assisted manager is asked to write a short report answering two questions:

- Did the work generate some positive result for your company?
- If the answer to the first question is affirmative, how much would be a reasonable payment, in case the performed work had been contracted?

The teams are alerted to avoid two possible pitfalls. The first one is to execute the work in a business where the manager just wants to take advantage of work for free, for example demanding the students to execute something that

he/she can easily do by him/herself or pay someone to have it done. Social capital is not generated in that in case.

The second pitfall is to spend time and energy with people who do not want to be helped. It is emphasized that this activity is not related to philanthropy. It targets a positive gain for the team, in terms of experience on a real business, training on organized team work and experience in human relations.

Other advices that are given to the teams:

- Look for people that deserves your help
- Talk to the owner or who can really make decisions
- Test his/her commitment at the very beginning, asking for some information or providence
- Observe professional attitudes, providing written reports whenever possible

TABLE 1
CHRONOGRAM OF ACTIVITIES AND REPORTS

Period	Activity	Report
1 to 2 weeks	Look for alternative companies that may agree to participate	Description of the selected company
1 week	Collecting Information: Talking to manager, employees, customers, providers, etc.	Diagnosis – main problems
1 to 2 weeks	Proposition of alternative solutions; Implementing some of them	Adopted Solutions
1 week	Results control; Comparing with the previous situation	Conclusions

DIFFICULTIES

More than 300 students have already participated of this module. The biggest difficulty that is reported is the conquest of the confidence of the manager or owner of the business.

Usually, a team has to visit more than three companies before finding one whose manager trusts the team. The level of suspicion is such that managers invent excuses to refuse the team's offer, even though it is assured that it will be done for free.

In turn, it was observed that the students have difficulty in demonstrating empathy and transmitting trustworthiness, due to poorly developed interpersonal abilities. These are initial challenges that have to be overcome by the team.

To some extent, this result is not surprising. According to Timmons [7], intelligence assessing tests, entrance examinations at high education institutions and other methods for measuring intellectual excellency like SAT, do not consider a number of attitudes that are important for the entrepreneur nowadays. For example,

- Leadership abilities – people do not want to be managed, but want to be led
- Interpersonal abilities – to communicate, to interact, to listen

- Team awareness – integration, team commitment
- Learning to obey first; so you can learn to order later
- Creativity
- Motivation
- Learning abilities – organizing appointments, effective reading, personal time management
- Persistence and determination – believing in statistics and not in luck
- Ethics – personal values, honesty, integrity
- Orientation to objectives – rationalization of the dispended energy
- Self-discipline
- Thrift
- Ingeniousness
- Resilience – capacity to deal with the adversity
- Ability to look for feedbacks, listen to and use them
- Trustworthiness
- Loyalty
- Sense of humor.

Another main problem observed at the beginning was that the teams were demonstrating difficulty to define the limits of their action. At the conclusion meeting, many teams were reporting that they had not managed to complete their tasks, although a good amount of work had already been done.

Now the teams are instructed to establish, in common agreement with the business manager, a written description of the work that will be done, the responsibilities of each part, and the time limit to conclude the activity.

RESULTS AND CONCLUSIONS

The module of generation of social capital has produced excellent practical results. Most of the participants, during the meeting that occurs at the end of the period, declare that they are proud of the executed work and they would include this activity in their resume.

Participants often says that they have learned more than they have taught, due to their lack of experience on actual business situations. It is usual that immediate and simple solutions are refused because they were already tried and failed or there are problems that are unexpected for the inexperienced participants.

Best results are reported by teams that have developed a relation of mutual enrichment, helping business owners that are neither insufficiently prepared to survive, nor are already doing very well by themselves. In places where the owners have managed to establish a mature business but now are facing difficulties to move up to a higher stage, the students can contribute with their specialized knowledge and, in turn, share the life experience from the person being benefited.

One of the main doubts of the authors is related to which would be the ideal degree of follow-up on the work of the teams. Presently, the teams send electronic reports at the end of each week. However, it is not uncommon that students give higher priority to other academic duties, leaving the

execution of this activity restricted to a enterprise of three to four days.

A possible solution would be to force that all the development of this module be done during a consecutive Friday/Saturday two-day period, focusing all the teams in close companies in a same region. Such concentration would reduce the distrust of the managers and eventually create an environment of synergy among different teams.

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