

Social Capital Theory in Relation to Entrepreneurship Competencies for Business Success

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ABSTRACT

Many entrepreneurs dealing with human in daily business activities. They need to become more competent in these scenarios in order to gain profit and built long term relationship with both parties (entrepreneurs and customers). Theory of social is said very suitable in this field. The Social Capital Theory is one of the theories that contribute more benefit and skills to entrepreneurs to lead to business success. Investment in social capital seems to have influence both on business success and on society as a whole. Against this background, the main aim of this paper is to explore the said theory and to investigate its usage in entrepreneurship. This study on social capital theory, entrepreneur and business success will based on literature review.

Keywords: Social Capital Theory, Entrepreneurs, Business success.

BACKGROUND OF THE STUDY

The importance of social capital for economic activity has been widely discussed (Putnam, 1993). It has been argued that investing in social capital should be the strategy of small and medium enterprises (Meister and Lueth, 2001) because businesses need to take their role seriously in society and engage in building a society where the benefits of cooperation will increase. Therefore, investment in social capital can be seen as a major contribution to entrepreneurs for mutual benefit.

Therefore, business organizations need to be active in community development in their business locations as businesses are influenced by the communities in which they operate and community problems often affect the efficiency and effectiveness of business activities. The logic of this investment in social capital has been outlined by Habisch (1998) for examples of small and medium-sized transactions investing in institutional construction in their host country and by Twickel (2001) to take responsibility for the company in the making of regulations and implementation in the community.

The concept of special philosophy that emerged in the past emphasized the relationship between individual liberty and collective bargaining. Different perspectives make individual freedom a priority for common good (Etzioni, 1999) or demand individual freedom as a key principle (Friedman, 1970).

There is a lack of research on the involvement of small and medium enterprises at the local level (Curran et al., 2000, p. 129). The research that has been done has the opposite perspective. Joseph (2000) found that SMEs played an important role in civic engagement and issues in the development of economic regions, while Goss (1991, p. 151) found that something was considered "naturally humane in small-scale organizations "generally based on speculation rather than evidence. Curran et al. (2000) found that