

SOCIAL CAPITAL AND SOCIAL SUPPORT - PERCEPTION BY START-UPS IN RIGA CITY

Iveta Cirule¹, Mg.sc.pol.; **Janis Prusis**², Bc. sc.soc.

¹ "RISEBA" University of Business, Arts and Technology, ² Riga City Council

Abstract. Social capital and social support is a non-material resource for start-up development now-a-days. This study relates to the call to investigate which social capital and support dimensions are contributing the most to the start-up perception. Research proved that Riga start-ups perceive high levels of social support from family, friends. It supports the entrepreneurial personality trait - high levels of perceived social support. Riga start-ups evaluate highly perceived social capital in all three dimensions – structural, cognitive and relational. Main findings proved - statistically significant correlations exist between perceived social support and two dimensions of social capital - cognitive and relational. Results of this study will be applied in managing Riga's Startup grant programme "Take-off" as well as other startup support instruments in Riga and regional municipalities. Further research might be carried out for in-depth evaluating of social capital and possible applications of that as well as territorial extension of research. Data from the start-up programme "Take-off" results could be compared with regional/ rural nascent entrepreneurs' support programmes, for instance, rural cities' business starting grants' utilization and the impact of social capital and support during this process.

Key words: social capital, social support; start-ups.

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Introduction

European Commission claims that small and medium sized enterprises (SMEs) are the backbone of the Europe's economy that is a key to ensure economic growth, innovation and job creation (EC, 2017). Social capital has been recognised as a driver of economic growth, resulting in greater economic efficiency (Putnam, 2000). Riga is the main city of entrepreneurial activities in Latvia (LURSOFT, 2017). Support of Riga SMEs and start-ups is defined in a long-term development document principles of Riga city. At the same time, number of newly registered enterprises is reducing and the number of liquidated enterprises is rising. Even more so - 2017 was the second time in a row when the number of liquidated enterprises exceeded the number of newly registered enterprises (CSB, 2017). The aim of this study is to explore how Riga Start-ups perceive social capital and social support in the entrepreneurship development.

The paper is structured as follows. The first part presents the theoretical foundations and definitions of social capital, social support and social capital dimension. Further the variables of the research and research questions are presented. The second part describes the methodology, design of the research instrument (questionnaire) and finally presents the results and discussion leading to managerial implications.

The research limitation is the research sample size representing the grant programme "Take-off" receivers of those start-ups legally registered in Riga city territory. Nevertheless, this article highlights the recent results on social capital and support role in the nascent entrepreneurship development that could be transferred to rural economy development researches and support programmes.

Social capital and Social support

Social capital has been defined as "the features of a social organization that facilitate coordination and cooperation for mutual benefit" (Putnam, 2002). Research in this area has identified three forms of social capital – 1) relational social capital (strength of the relationship), 2)

cognitive social capital (shared beliefs of the relationship partners), and 3) structural social capital (the number of ties between relationship partners) (OECD, 2013).

Structural social capital is defined as a sum of assets deriving from the structure of networks that are created among the members of a community, organization or society, having as cornerstone an efficient cooperation. The structural dimension can also be present at individual level and it's expressed as his or her ability to create bridges with the other actors within a common system of reference, principles, norms and values.

Cognitive social capital is defined as the cumulus of assets providing shared and common meanings, interpretations, behaviours, attitudes, beliefs, norms and values among actors, such as legitimacy. Safety, reciprocity. Based on this definition, we can appoint as measurement instruments for cognitive capital the availability and commitment to collaborate in new projects, free knowledge exchange and diffusion among partners, committed support to manage different social issues.

Relational social capital is composed of all those assets deriving from the nature, quality and strength of relations that are built based on the same set of norms, values and principles through the cognitive dimension. Out of all the components of the relational dimension, trust is the most significant one, as it represents the pillar for any long-term success and it positively impacts all the actors involved in the entrepreneurial activity. Relational social capital is important for entrepreneurship because personal experience and the quality of past interactions can determine whom the entrepreneur is likely to approach and successfully engage with (Paunescu & Badea, 2014).

Social support refers to the apperceived or practical instrument or expressive resources supplied by communities, social network, and close partners. House (1981) offers the operational definition of social support. In his opinion, social support includes individual apperceived important instrument or expressive resources supplied by others and network structure, namely 1) emotion and concern; 2) instrument support; 3) information support; 4) praise or feedback support.

According to Melvin Smith (2006) hypothesis that entrepreneurship is mutually beneficial process, authors would like to research whether social capital and support enhance the entrepreneurship development.

In other words, authors would like to propose that social capital and social support received by start-ups could be the biggest asset of entrepreneurs apart from financial capital and intellectual capital.

Start-ups in Riga City

There were 42869 companies established and 17814 companies liquidated in Riga city during 2012 -2016. During this period, in total 30050 companies were established and 19344 companies were liquidated in Latvia. Which may lead to the conclusion that the survival rate for Riga city companies is 70.64 %; whereas in Latvia – 60.84 %. Unfortunately, there is tendency of decrease in number of newly established companies as well as increase of liquidated companies (LURSOFT, 2017).

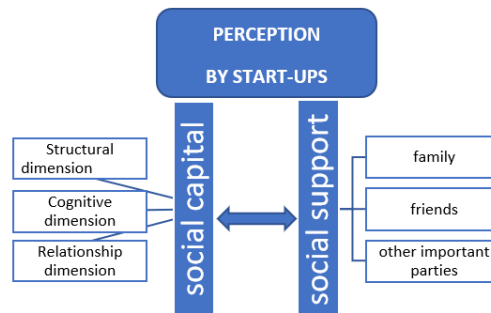
Riga city Sustainable Development Strategy until 2030 foresees that city is developed by three pillars, and one of them is entrepreneurship development in Riga city with the support of municipality (Council, 2014). One of entrepreneurship support instruments is grant programme "Take-off" supporting the best entrepreneurial activities by 12 000 EUR grant per company. Social

capital and social support dimensions are also included in this particular grant programme evaluation criteria. Thus, the research object is the start-up companies legally registered in Riga city and Riga region receiving "Take-off" grants (total 33 companies during years 2013-2017). The respondents were owners and Board Members of the companies.

The model presented in Fig. 1 shows the associations between the variables which, according to the literature, impact the start-up perception of social capital and social support. The following research questions are formulated:

RQ1: what sort of social capital does Riga start-ups perceive?

RQ2: what are the sources of social support perceived by Riga start-ups?



Source: created by the authors

Fig. 1. Variables influencing the perception of social capital and social support by start-ups

Methods

To answer the research questions, the quantitative study was performed. To collect the data, the questionnaire was developed with three scales related to the social capital (64 statements) and 3 scales related to social support (14 statements), 78 statements in total.

Social support scale related statements are based on Zimet et al. 1998. Social capital related statements were based on the UK Office for National Statistics, 2014.

In total, there were 22 statements reflecting Social capital scale "Structural dimension". 13 statements reflecting Social capital scale "Cognitive dimension". 29 statements reflecting Social capital scale "Relationship dimension" were used. In total, 5 statements reflecting Social support scale "Family". 5 statements reflecting Social support scale "Friends" and 4 statements reflecting Social support scale "Other important parties" were used.

All statements were measured in 6-point Likert scale where coding 1 is allocated to "completely do not agree" and coding 6 is assigned to "completely agree".

The final sample size was 31 company owners, aged 24-46, 26 respondents having higher education, 7 females and 24 males.

Depended variable of this study is the **perception** of social capital and social support by start-ups owners. The respondents were asked to evaluate the social capital and social support related statements.

Research results and discussion

The data was analysed using SPSS 21 statistical package. First, the internal consistency reliability of all scales was checked by means of Cronbach's alpha coefficients. Almost all scales showed satisfactory to good internal consistency reliability. 26 out of 90 statements were excluded from social capital related statements. Social support related statements showed good internal consistency. Thus, no statements were excluded.

Table 1

Cronbach's Alpha. mean values and standard deviations of dimensions

Scale	N of statements	Cronbach's Alpha	mean values	standard deviations
SOCIAL CAPITAL				
Structural dimension:	22	0.769	SPSS 95.1290 XLS 4.5300	13.03007
Sources	2	0.397	SPSS 9.6774 XLS 4.8387	2.07183
Social ties	4	0.551	SPSS 19.5806 XLS 4.8952	3.40367
Scale	2	0.907	SPSS 9.4516 XLS 4.7258	3.06419
Diversity	7	0.621	SPSS 28.8065 XLS 4.8011	5.05582
Frequency of contacts	2	0.580	SPSS 10.1935 XLS 5.0968	2.24231
Frequency of support	2	0.514	SPSS 8.7097 XLS 4.3548	2.54550
Cognitive dimension:	13	0.659	SPSS 60.0968 XLS 4.6228	8.94187
Support perception	5	0.686	SPSS 25.1613 XLS 5.0323	4.00081
Received support	4	0.503	SPSS 19.3226 XLS 4.8306	2.61262
Involvement in politics	4	0.619	SPSS 15.6129 XLS 3.9032	4.60201
Relationship dimension:	29	0.745	SPSS 135.0000 XLS 4.6552	15.39697
Emotional significance of relationship	5	0.551	SPSS 24.9677 XLS 4.9935	4.20701
Civic engagement	6	0.701	SPSS 23.3871 XLS 3.8978	7.93590
Interest in politics	4	0.664	SPSS 18.8387 XLS 4.7097	4.60505
Trust in the public institutions	2	0.552	SPSS 7.7742 XLS 3.8871	2.49946
Trust in people	6	0.652	SPSS 27.4839 XLS 4.5806	4.2874
Cooperation social value	6	0.645	SPSS 32.8484 XLS 5.4247	3.89734
Total	64		SPSS 96.7416 XLS 4.6068	10.68675
SOCIAL SUPPORT				
Family	5	0.881	SPSS 25.3226 XLS 5.0645	5.12762
Friends	5	0.901	SPSS 25.8387 XLS 5.1677	4.56871
Other significant parties	4	0.906	SPSS 20.2258 XLS 4.0452	5.05114
Total	14	0.892	SPSS 96.7416 XLS 4.5791	3.75635

Source: authors' calculations based on research data

To answer research questions and to find out which dimensions are better associated with the perception of start-ups. Pearson correlation analysis between the aspects of 1) social support and social capital structural dimension; 2) social support and social capital cognitive dimension; 3)

social support and social capital relationship dimension is used and results are presented in the Tables below.

Table 2

Pearson correlation coefficients

		Sources	Social ties	Scale	Frequency of contacts	Frequency of contacts	Support frequency	Involvement in organizations	Structural dimension
Family	Pearson correlation	-.068	-.024	.069	-.198	.342	.232	.136	.073
	Significance	.715	.896	.713	.285	.059	.209	.466	.698
	N	31	31	31	31	31	31	31	31
Friends	Pearson correlation	.008	.225	.389*	.120	.586**	.403*	.157	.431*
	Significance	.964	.224	.031	.521	.001	.025	.399	.016
	N	31	31	31	31	31	31	31	31
Other significant parties	Pearson correlation	-.104	.529**	.069	.211	.267	.047	.132	.320
	Significance	.577	.002	.714	.255	.147	.803	.478	.080
	N	31	31	31	31	31	31	31	31
Social support	Pearson correlation	-.074	.317	.220	.053	.513**	.290	.184	.351
	Significance	.691	.082	.235	.778	.003	.114	.320	.053
	N	31	31	31	31	31	31	31	31

Source: authors' calculations based on research data

Table 3

Pearson correlation analysis between the aspects of social support and social capital structural dimension

		Support perception	Received support	Involvement in politics	Cognitive dimension
Family	Pearson correlation	.369*	.119	.544**	.480**
	Significance	.041	.524	.002	.006
	N	31	31	31	31
Friends	Pearson correlation	.680**	.326	.538**	.676**
	Significance	.000	.074	.002	.000
	N	31	31	31	31
Other significant parties	Pearson correlation	.181	.176	.288	.281
	Significance	.329	.343	.116	.126
	N	31	31	31	31
Social support	Pearson correlation	.525**	.265	.594**	.618**
	Significance	.002	.149	.000	.000
	N	31	31	31	31

Source: authors' calculations based on research data

Table 4

Pearson correlation analysis between the aspects of social support and social capital relationship dimension

		Emotional significance of relationship	Civic engagement	Interest in politics	Trust in the public institutions	Trust in people	Cooperation social value	Relationship dimension:
Family	Pearson correlation	.368*	.173	.388*	.081	.044	-.113	.303
	Significance	.042	.352	.031	.664	.813	.547	.098
	N	31	31	31	31	31	31	31
Friends	Pearson correlation	.745**	.318	.130	.254	.498**	-.092	.563**
	Significance	.000	.081	.485	.169	.004	.622	.001
	N	31	31	31	31	31	31	31
Other significant parties	Pearson correlation	.248	.368*	.155	.266	.277	.134	.458**
	Significance	.178	.042	.405	.149	.132	.472	.010
	N	31	31	31	31	31	31	31
Social support	Pearson correlation	.581**	.372*	.299	.259	.346	-.028	.571**
	Significance	.001	.039	.103	.159	.056	.880	.001
	N	31	31	31	31	31	31	31

Note: The level of significance: ** $p < .01$; * $p < .05$.

Source: authors' calculations based on the research data

The correlation results show that there is evident correlation between social capital relationship dimension and social support in general, which may lead to the assumption that relationship is important for the start-ups (particularly friends and other significant parties and correlation between family and relationship dimension is not statistically proved. The authors assume that results may be affected by the choice of statements (3 out of 6 statements are linked with the social capital nature. e.g. interest in politics. trust in the public institutions is directly linked with the start-up relationship with local municipality).

The finding of this particular research proved the importance of friends – this is only social support source, which correlates to the all three dimensions of social capital. Thus, the authors draw the conclusion that **the most important social support source for start-ups is friends.**

Conclusions and recommendations

The results provide the answers to the research questions.

RQ1: what sort of social capital do Riga start-ups perceive?

- 1) Riga start-ups perceive positively assessed social capital in all dimensions – structural, cognitive, relationship. The negative perception is about engagement into organizations which may be explained by autonomy of start-ups and Latvia specific cultural traits. **Thus, the authors assume that this may not be beneficially to unify Riga start-ups into organization.**

RQ2: what are the sources of social support perceived by Riga start-ups?

- 2) Riga start-ups receive social support from family, friends and other significant parties which allies with the theory.
- 3) Factor of social support that contributes most to the performance of start-ups appeared to be friends. Thus, friends may be taken into consideration when start-ups develop their entrepreneurship.

- 4) The research results proved the statistical correlation between social support and social capital relationship and cognitive dimensions. Authors assume that start-ups do not associate directly social capital structure and social support.
- 5) Start-up structural capital peculiarity arises from the entrepreneurial extraversion and belief that they can control their life. Thus, social capital structural expansion by public sector may be perceived by start-ups as their own performance results not as activity of public sector per se.
- 6) The only correlation between social capital structural dimension and social support dimension "other significant parties" is social ties, i.e. the number of social ties. This may lead to the conclusion that start-ups are ready to make the contacts in terms of intensity. This is supported as well by correlation between social support "feelings" dimension and contact frequency. This may lead to the assumption that persons, willing to develop business, are exert to contacts. Such kind of entrepreneurs may be motivated to engage into entrepreneurship support activities to utilize the expansion opportunities.
- 7) Research results did not prove Melvin Smith (2006) hypothesis that entrepreneurship is mutually beneficial process as this was statistically proved neither by social capital relationship dimension. nor social capital cognitive dimension and social support. Thus, the conclusion may be drawn that the concrete action from one side may not lead to the reaction from start-up side. This assumption was also proved by the perception of social support by start-ups only from friends and family, which may be based on the cultural specific as well.
- 8) The results of this study can motivate start-ups to utilize the opportunities provided by social capital and social support actors as these strategies may help them to develop entrepreneurship by so called non-material asset of modern society – social capital and social support.
- 9) This research has certain limitations and implications for future research. The most important limitation is the size of the sample. Future research should be carried out and answers from more respondents collected. Other limitation is related to the generalizability of the findings. since. respondents represent only grant programme "Take-off" receivers and data from other types of Riga start-ups would enrich the findings. Moreover, certain limitation is related to the relationships between social capital dimensions and social support which certainly are more complex. More research should be done to explore these relationships with more sophisticated methodologies as structural equation modelling for example. Still the present findings could be used as the basis for future investigations in the rural economy context.

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