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Social Capital, Social Entrepreneurship and Entrepreneurship Education

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Abstract. This paper integrates the concepts of "social capital" and "social entrepreneurship" into the study of entrepreneurship. It contends that understanding the role that social organizations play in the process of innovation is essential to fully understand how ideas become new ventures. Moreover the paper makes the case that solving the social problems of the day requires the same type of risk taking and innovative thinking which characterized the production of new products and services. It calls attention to the significant volume of research which illustrates how the formation of social capital is essential for economic growth and provides the framework in which entrepreneurship can take place. Closing the paper is a discussion of how the concepts of "social capital" and "social entrepreneurship" should be integrated into the entrepreneurship curriculum at all levels of instruction.

Keywords: entrepreneurship, entrepreneurship education, social capital, social entrepreneurship, economic growth, innovation and investment.

1. Introduction

Entrepreneurship is about change and transformation. Its about new ideas and how they come to be useful products, technologies and services. Its about new ventures and how they grow. In the public mind it is often associated as being about new technology. Such associations are unfortunate. Not because they are entirely wrong, but because they are too restricting.

Studying change and innovation should not be limited to business or technology. Innovation is more than new products and processes for production. Entrepreneurship should encompass all of societies interactions, not just those bounded by the market. The focus of this paper is on a form of entrepreneurship which has existed from the beginning, but is only recently becoming a matter of inquiry. It concerns the social interactions of people and solving the issues which result from that interaction. That interaction can take place on may levels; the firm, a non-profit organization, a government or even a nation.

It has been labeled as "social entrepreneurship" and its study pushes forward the scope of entrepreneurship research. At the heart of this social entrepreneurship is the creation of "social capital". It is the purpose of this paper to explore the concept of social capital and its relationship to social entrepreneurship and how the concept is being taught in business related courses at the pre-college and collegiate level. This paper concludes with a call for action.

Unfortunately the study of entrepreneurship in many instances has become focused on technology and the ventures which produce it. In light of the recent rash of dot.com failures, it should be abundantly clear that having even the most advanced technology does not guarantee entrepreneurial success in today's global economy. This is a world of rapid change driven by technological advancements. It is easy to understand why entrepreneurs, investors and those who educate them are seduced into the belief that they must have the newest toys on the market. Tom Peters says to focus on creating a company that will "wow" the customer, and many of today's products do indeed "wow" us. But technology alone will not lead a company to become a leader. Nor will it provide a better society characterized by harmony and progress. Success in business and society requires relationship-based organizations, "social communities", based on trust, commitment, and mission.

Technology, entrepreneurship and these social communities are compatible, but they must be kept in perspective. To remain competitive, an institution must keep up with technological advancements. But technology, even the best, will take any organization only half as far as it needs to go. The people in organizations, both business and social, take them all the way to success. The mission of entrepreneurs and entrepreneurship educators, is to tap into the energy and insights of the workforce and our graduates and let them carry economic advancement to new heights. But this provides only a limited view of the potential for change which entrepreneurship can bring. Entrepreneurs can be the change agents for creating social as well as material progress. Creating the social capital which can knit the frayed structure of society also requires the same risk taking and innovation. Building better products and providing better services is not all entrepreneurs can accomplish. But how many entrepreneurs know how to create social capital? How many curriculums, either in pre-collegiate or collegiate entrepreneurship, can say that skill is imparted to their students?

2. The Concept of Social Capital

This paper has as its focus one aspect of social entrepreneurship, the creation of social capital. There is a growing recognition among scholars and observers of the "new economy" that one element has not changed. What Coleman and others call "social capital" remains the foundation of economic progress. Cohen and Prusak in their recent study find social capital consisting of, "...the stock of active connections among people, the trust, mutual understanding and shared values and behaviors that bind the members of human networks and communities and make cooperative action possible" (p. 4). They list the following characteristics of social capital: high levels of trust, robust personal networks, vibrant communities, shared understandings and equity participation in decision making.

The Saquaro Seminar developed a national survey of social capital community benchmarks. This association of scholars and thinkers surveyed 30,000 respondents in 40 communities across 29 states. Their survey was designed "to measure the amount of social capital in various communities" as well as the distribution of social capital within a community (p. 6). The survey assessed people's responses to questions concerning 11 facets of social capital: social trust, interracial trust, diversity of friendships, political participation, political protest, civic leadership, associational involvement, informal socializing, giving and volunteering, faith-based engagement and equality of civic engagement. The results indicated that a sense of community is a much stronger predictor of personal happiness and the perceived quality of life in a geographical area than either income or educational level.

Voices of dissent to the value of social capital to economic growth and entrepreneurship are present. Florida, based on his own research and that of others, concluded that communities with demonstrated high levels of social capital did not necessarily experience faster economic growth than others. He felt the statistical studies supporting the value of social capital in high growth communities failed to consider other factors that may have been more important in explaining their high growth rates. Further, he found a dark side to social capital. Individuals, particularly ethnic minorities, were often excluded from the social communities that resulted from the formation of social capital.

3. Dimensions of Social Capital

The creation of social capital has both an internal and external dimension. Internally the creation of social capital increases the effectiveness of the firm or other organization. This is accomplished by establishing an environment where workers, particularly knowledge workers, can have the space, time and support to create. Most discussion of social capital has been concerned with this internal aspect.

The external aspects of social capital are only in the infant stage of inquiry. Since external social capital encompasses sociological and political issues as well as economic, it begs for an interdisciplinary approach. The creation of external social capital by social entrepreneurs is the way to increase the effectiveness of social institutions with the anticipated result, not of greater profits, but of expanded social harmony.

4. Economics and Social Capital

Beginning with Putnam's landmark work *Bowling Alone*, the economic value of social capital has been repeatedly demonstrated. His work details the problems associated with the decline of American social capital. Studies for the World Bank compiled by Narayan, suggest that differences in regional economic growth may be explained primarily because many of the underdeveloped lands lack even basic social capital. Russia, Argentina and most of Africa can be given as examples of areas rich in natural resources but almost entirely bereft of social capital. Corruption, revolution and tribal warfare rather than economic advancement characterize these places. Woolcock has suggested a multi-disciplinary approach to the study of social capital may lead to finding answers to the most pressing economic and social issues of our time.

Although almost totally absent from most economics texts, the reasons why social capital is pivotal in the process of economic growth should be understood by any student of the "dismal science". Decades ago, Coase introduced the concept of "transaction costs" for which he was to win the Nobel Prize in Economics. He contended that businesses, as well as entire economies, which become more specialized and interdependent must engage in a widening spiral of relationships or transactions. These transactions are expensive in terms of resource use, time, money and effort. Reducing the number and difficulty of these transactions increased economic efficiency. The greater the supply of social capital the easier it is to work out transactions and lower production costs. That is why Cohen and Prusak can confidently assert, "...social capital generates economic returns" (p. 10).

It is not surprising that economists with their preoccupation with arcane economic modeling have missed the importance of social capital. But they should not have. The first economist, Adam Smith, made it clear that economic life and social life, including culture, habits, and mores, can not be separated. Modern neo-classical economics divorces individual behavior and the action of firms from the social setting. All individuals act in their "self interest" maximizing their utility. Firms are "profit maximizers" concerned primarily with the bottom line and return to shareholders. Fukuyama debunks these concepts in his investigation and concludes, "The greatest economic efficiency was not necessarily achieved by rational self-interested utility maximizing individuals, but, rather, by groups of individuals who, because of a preexisting moral community, are able to work together effectively" (p. 21).

5. Thoughts from the Left

While conservative, free market advocates may be loth to confess it, the left may have found an important truth about the role of labor in the new, knowledge based economy. At the start of her book Kelly concludes, "For many companies knowledge is the new source of competitive advantage" (p. 6). Knowledge resides with employees, including managers, who are the real wealth creators.

For some this may sound like a revival of Karl Marx's "labor theory of value" in which all returns from productive enterprise are to be allocated to labor. Capital can be dismissed from the economic equation as it is nothing more than the embodiment of the past labor which created it. For those who may have forgotten his words, "...only human sweat and skill is the true source of all value". Kelly illustrates her point by reference to the "St. Luke's maneuver" where the employees of a London "knowledge" based public relations company resisted a hostile merger by quitting in mass. By that action the value of the company to the acquiring firm evaporated.

6. Social Capital and Trust

Social capital depends foremost on trust. As Locke wrote, "Trust is like the air we breathe; it is basic to all human activities" (p. 110). The clearest expression is found in Fukuyama after an exhaustive study of economic history noted, "...the most important lesson we can learn from an examination of economic life is that a nation's well being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in the society" (p. 7).

In its most basic understanding, trust comes from human interaction. People who know each other and have favorable interactions can depend on the other. Trust can then replace rules and regulations as guides for human behavior. Informal personal relationships replace complex commandments. Transaction costs are reduced in an organization, or even a nation, where people trust each other.

7. Trust and Technology

What differentiates the "new economy" from the old is the increased speed with which new technology is developed and expected to be implemented. Technology has always created change and disruption with the counterparts of fear and dislocation. In other words, technology is the harbinger of what Duck calls the "change monster." Based on her extensive investigations and work with many leading firms, she feels the pace of economic growth in the new economy is slowed by the resistance to the changes which technology brings. After all it is people who create, implement and adapt the new technology. To the extent they fear the changes, real or imagined, which may result, technological advance is inhibited. As she finds, "...the emotional aspects of change are not just important, they are vital" (p. 9).

In a most provocative book Brown and Duguid review the "social context for technology." They see a world in which technology is surging ahead but society is lagging behind. To them the greatest problem faced by those who make business decisions today is overestimating the impact of technology and underestimating the impact of human needs. They contend that most technology is developed with the assumption that people work in isolation, with little need for "face to face" contact, and that technology will work as designed. None of these are correct. Workers must be able to own, control and modify the technology. For this to happen people must interact sharing insights, failures and improvisations.

Brown and Duguid see a sharp distinction between information and knowledge and contend that current emphasis on the "information economy" be replaced with stress on the role of knowledge. Information is basically sterile and can easily be transferred, but knowledge – how to use information – requires understanding the data, assimilating it and becoming committed to applying it in new and creative ways. As they see it, society is "drowning in information" and knowledge is the only "lifeboat" available.

Though we live in a society addicted to the pursuit of speed and technological advancements, this does not preclude the development of relationship-based organizations. It is people who make change happen. Marshall writes, "Not only are speed and trust compatible, but there can be no sustained speed at work without trust" (p. 103). He believes that we must change traditional organizations to those that value principle over power and people over process and technique. All business including those which are entrepreneurial need to strengthen their relationships with our employees, suppliers, and even our competitors. "Speed happens when people trust each other" (p. 103).

Employees are becoming as mobile as money. Technology has assured that labor, particularly knowledge workers, are not place bound. Most knowledge work can be accomplished virtually anywhere. The Internet has assured that. As a result human capital and the social capital which supports it must be viewed differently by educators than has been past practice

The historian Adas provides a negative view of technological change as the most often cited reason for economic advance. While concluding that technology has been the basis for rising living standards at all places and all times in world history, he feels that the almost exclusive focus on physical technology has led to a misunderstanding of the real forces which lie behind continuous improvement. While one does not have to accept his obvious dislike for what he views as the dehumanization which results from an overemphasis on the role of technology, his view that culture and the evolution of human relationships have been the causes for the discovery, acceptance and widespread dispersion of technology is persuasive. Without social capital technological progress would not have happened at the speed with which it is transpiring or been so quickly or broadly disseminated.

8. Social Capital and Entrepreneurship

There is a strong relationship between technological innovation and trust which may not be obvious. The key to learning is being a member of a "social community" which shares its insights and practices. The stronger that community the greater the level of trust that is likely to develop. This trust encourages risk taking as it reduces the possibility and consequences of failure. As risk taking becomes the norm, the yield is innovation.

This explains why so many recent studies of entrepreneurial firms have found a high correlation between trust and other forms of social capital and organizational success (Collins and Collins, O'Reilly and Pfeffner, Stewart). Goshal and Barlett remark, "On the organizational trapeze, individuals will take the entrepreneurial leap only if they believe there will be a strong and supportive pair of hands at the other end to catch them" (p. 93).

Often referred to as the "soft skills" of management, tried and true values are what can take an organization from being ordinary to extraordinary. Technology can dazzle investors and mesmerize entrepreneurs, but when the layers of today's truly successfully entrepreneurial companies are peeled back to their essentials, there is found an emphasis on people.

To cite but one example from many of a firm which developed internal social capital. When Dave Longaberger died in 1999 he left behind a legacy. Under his leadership, Longaberger Basket grew from 350 employees and $8 million in sales in 1984 to over 8,000 employees and $1 billion in sales in 2000. Many would consider Longaberger a self-taught entrepreneur, yet he stated that everything he knew about business, he learned from his mom and dad. Longaberger said, "I don't care what business you're in, your success will ultimately depend on the relationships you build with people"(p. xv). Successful businesses are built on trust between company and customer, employer and employee, and employees and their colleagues. Employers must prove themselves to their people, day in and day out. Longaberger cautioned to never assume that employees will automatically trust us because we hand them paychecks. "You have to earn their trust. And, once you have it, you have to keep earning it" (p. 42). The same is true for any organization. Trust, once compromised, is difficult to regain.

Successful entrepreneurs must listen to employees and give them the freedom to make changes they believe will benefit the company. In the business world, Longaberger proved that listening to employees and trusting them to keep the company's best interests at heart makes good sense. Longaberger was selected as a co-winner of the 2001 RIT/USA Today Quality Cup in manufacturing because the company trusted its employees.

For example, three basket weavers on the shop floor recognized that each weaver was not getting the correct material to make the basket design assigned to him or her, leading to constant, time-consuming trading of raw materials and inefficient hoarding. Morale started to suffer. When the three weavers set out to study the problem, they were given top support by management and encouragement from the CEO. On a paid sabbatical from weaving, the team obtained training in flow charting, cause-and-effect analysis and problem solving. The changes they recommended have resulted in a savings of $3 million per year, and that number is rising.

The management team at Longaberger took their founder's and social words of wisdom to heart. They rely, day in and day out, on the old values of trust and commitment as they work toward developing strong relationships and social capital for the betterment of the company.

9. Leadership and Social Capital

Whether an individual is at the helm of a for-profit organization like Longaberger or a non-profit organization, those interested in creating social capital should develop the capacity to lead as well as manage. Harvard's John Kotter introduced the difference between management and leadership in his book, *Leading Change.* Kotter suggests the following distinction: management skills produce a degree of predictability and order that has the potential to consistently produce short-term results expected by stakeholders.

- Planning and Budgeting
- Controlling and Problem Solving
- Organizing and Staffing

By way of comparison leadership skills produce change, often to a dramatic degree and have the potential to produce extremely useful change that stakeholders want.

- Establishing direction

- Aligning people
- Motivating and Inspiring (p. 26)

Management skills tend to yield consistent results or status quo. Leadership skills require the ability to develop a vision for the future and then motivate others to work toward the accomplishment of that goal.

Best-selling author Ken Blanchard has devoted the last 15 years of his career to helping managers become better leaders. Although neither Kotter or Blanchard used the term social capital, both management consultants stress the importance of trust, communication skills, and strong relationships in any organization as necessary for creating change and innovation. Blanchard wrote, “Leadership is not something you do *to* people, but something you do *with* people” (p. 140). A leader must understand that effective leadership is a two-way relationship. Communication and trust must flow between the manager and the employees. This positive relationship does not develop in a vacuum or without effort. Leaders must take the responsibility themselves for making their relationships with their employees work. There is not a one-size-fits-all approach to achieve this trust.

Robert Greenleaf introduced the concept of “servant leadership” to the business world. He encouraged leaders to think of themselves as working for their employees in term of supporting whatever they need, i.e. materials, training, encouragement, rewards, or recognition to get the job done. This outstanding concept has been embraced by many, but Blanchard suggests that servant leadership is more about character than style. Too often entrepreneurs when they manage race to use a new management technique. Workers become confused, and perhaps a little jaded for they recognize technique over sincerity every time. Leaders don’t all have to manage or lead the same way, but they do need to recognize that true leadership is rooted in mutual trust.

Blanchard states, “Real communication happens when people feel safe” (p. 68). This point was reinforced by DeMarco who feels that many organizations, both non-profit and profit making, exist in a “culture of fear”. Fear of failure to met deadlines, make budget, hit sales targets, or to have new products, processes or policies work as intended. According to both authors regardless of age, gender or race, leaders need to be honest with their employees. Praise them for their accomplishments, no matter how small. Give honest feedback when someone is headed down the wrong path or their work is not up to par. This honesty will be respected and will build a trusting relationship. Most important will be cutting your subordinates some “slack” so they will have time to create and to try without fear of failure..

With most entrepreneur managers, the problem that arises is not due to malice or a lack of caring, but to benign neglect. Entrepreneur leaders need to actively work toward building social capital with those whom they work with in their organizations. People today seem to be so busy doing things that are urgent, but not important. Reports and paperwork demand our time, but at what cost? For DeMarco the cost is loss of innovation.

What leadership research teaches entrepreneurs is to gives as much attention to their co-workers as they do to the new idea. Listen to what they are saying. Find out what motivates them and verbalize your thoughts and feelings. Entrepreneurs who seek to lead, should not assume that their subordinates know what they think. Tell them. As Blanchard so eloquently put it, "Good thoughts in your head not delivered mean squat" (p. 52).

The words "entrepreneurship" and "leadership" do not bring to mind images of reports or balance sheets. Leadership implies a group of people moving toward the goal that unites them. Too much time spent on the inanimate assets of a company does not build social capital. Balance is the key. While the body of research on leadership has not yet become directly concerned with social capital or social entrepreneurship, the principles are directly applicable to bring change either within an organization or the larger society. The quest is for new ideas that solve social problems rather than effectiveness in delivery or production of goods and services.

Certainly the servant leader concept can be broadened to include service to a wider community than just those within the immediate organization itself. Concern for others should motivate entrepreneurs to seek a better society not just a more efficient firm. An effective entrepreneur leader understands that through strong relationships build on trust, great accomplishments follow naturally.

The success of Pam Curry and the Center for Economic Options in West Virginia is an example. In 2001, she and her organization were recognized with the Presidential Award for Excellence in Microenterprise Development for Program Innovation. As she reports for nearly 20 years her organization has, "created innovative ways to help entrepreneurs – especially those in rural areas – become engaged in the economy and experience economic self-reliance" (p. 7). Most of these are tiny operations having fewer than five employees with low start-up and capital needs. Many of theses are home based and make use of forest and farm products. As Curry summed the Center's philosophy, "Rural microenterprises depend on an unspoiled wilderness, clean water and a healthy environment.... (The Center) believes that developing sustainable enterprises will not only decrease the number of household falling below the poverty line and promote local control and economic stability, but also will increase the value placed on sustaining West Virginia's natural resources" (p. 7).

Many of these enterprises assisted by the Center have become profitable companies. The Center has a large and profitable outlet store in a major mall and an active internet site. None of this would have happened if Curry had not been willing to lead. Since most of her co-workers are volunteers or part-time, the skills of entrepreneur leader have been repeatedly employed in Curry's achievements.

10. Accounting for Social Capital

The curriculum of most business programs, including those who claim to emphasize entrepreneurship, have not paid sufficient attention to social capital. To cite one example. Accounting is in deep difficulty. There is a phenomenal and growing gap between reality and accounting theory and practice. In the case of Enron, the failure of either the Securities and Exchange Commission or the American Institute of CPA's to understand or adapt to the mega-changes in the way companies financed themselves left gaping loopholes in accounting standards. These oversights allowed practices, while clearly unethical, which may not technically be illegal. According to Smith "off-book" entities, capitalization of current costs, changes in depreciation accounts and the treatment of buy/sell contracts in conventional accounting illustrate this failure.

But an even more subtle and difficult problem exists for accountants and finance professionals: How does one account for human and social capital? Shutt has called attention to the, "...transformation in the nature of the asset base of capitalist enterprises" (p. 102). For a rapidly expanding number of firms their assets are human "software" of technical knowhow, managerial expertise, communication skills and network relationships. These intangible items are not to be found as specific assets on the corporation's books.

The best accounting can do now is to classify the contribution of these to the companies value as "good will" or "intangibles", which is nothing more than the difference between the acquiring price of the firm and the net value of depreciated physical capital. Intangibles include more than social capital. Brand names, patents, customer base, reputation for service and/or quality are also included. In his book Handy sums the dilemma by noting that the value of knowledge companies is due to the presence of key individuals with outstanding capabilities.

These intangibles cannot be classified as fixed assets upon which the accountant can place a predictable value. This human capital may leave the firm migrating elsewhere leaving the original firm with limited capacity to compete. Shutt is correct when he notes, "...given the impact of intangible factors in extending the scope for subjective valuation of companies... there are stronger grounds than ever for treating company financial statements with suspicion" (p. 103).

The tax codes of most industrialized nations continue this neglect. While there are tax credits and accelerated depreciation for tangible physical capital such as buildings and machinery, social capital does not receive such favorable treatment. Section 197 of the IRS Code delineates the treatment of "intangibles". It provides for amortization of these over a 15 year period in most instances. As Pope, Anderson and Kramer found, Section 197 applied only to intangible assets that were *acquired*. Section 197 did not apply to an intangible asset that was internally created by the firm.

Put simply, any accretion to human or social capital which the firm creates receives no positive tax treatment unless that firm is sold. In this case it becomes the "good will" portion of the selling price and the buyer does receive a tax concession. But investment in social capital on a continuing basis receives no such reward. Given this favorable tax environment, it is small wonder physical capital dominates when investment considerations are made. Giving credit for investment in social capital would encourage its further formation.

11. From Social Capital to Social Entrepreneurship

Social capital should not be viewed in the narrow context of the business organization. Social capital is about building communities which effectively function with a minimum of conflict. This is a recipe of an effective organization be it a firm, non-profit organization, government or even a larger society. Segal explains, "The community, whether it is expressed through volunteer activity, in the contexts of recreation, sports, health care, or youth, or in the broader context of institutionalized mandates like universities or hospital boards, is the combination of these absolutely essential expressions of our mutual common interest in shared benefit and experience. Community does what individuals cannot achieve on their own or government can not do as well" (p. 121).

It is easier to create social capital in smaller organizations. Cohesion is most likely when there are fewer interactions and levels of communication. The more homogeneous the group the more likely for shared values and visions. The true test of social entrepreneurship is the creation of social capital for larger and more diverse communities.

The lack of community is cited by Segal as the major cause of social discord. Whether it is conflict among nations or neighbors the lack of trust and other forms of social capital makes reconciliation and progress difficult if not impossible. However delineated, all social organizations face a long agenda of problems crying for solutions. Therein lies the challenge for the social entrepreneur, to be the "bridge builder" creating communities. To do this will require social capital "widening"and well as "deepening". Successful ventures in community building must be translated and transmitted to new situations in the same way technology is transferred.

This process must be accomplished absent the profit motive. Many decades ago, Herzberg's theory stated that employees are motivated not only by monetary rewards. Pay and benefits are only one set of "satisfiers" in Herzberg's eyes. Without pay and benefits comparable to those received by others in similar positions, employees will be dissatisfied, but even the highest pay and greatest array of benefits will bring employees only to a neutral state. Factors such as achievement, recognition, and the work itself take employees past that neutral state into true job satisfaction, motivated to work toward organizational goals.

From the earliest explorations of entrepreneurial psychology summarized by Brockhaus, it has been determined that money was not the ultimate payoff which motivated entrepreneurs. Whether self actualization or the thrill of achievement, social entrepreneurs will work for the common good without the expectation of high salaries, fatter bonuses or additional stock options. Fukuyama found that organizations with a social commitment were more productive with lower turnover, absenteeism and conflict. Civic virtue does appear to have a payoff, but the payoff will not be the principal motivation.

Economists may have something relevant to say about social capital and social entrepreneurship after all. Adam Smith talked about individuals being motivated by "fellow feeling" which was a concern for others which trumped greed and selfishness. For Smith this self sacrificing was the basis for a moral society. In the jargon of today's economists this fellow feeling can be called "interdependent utility" wherein an individual gains pleasure or satisfaction from the activity or consumption of another. (Henderson and Quandt) As parents and grandparents revel in the achievements of their children and sacrifice for them, so individuals can find satisfaction in seeing social ills abated by the creation of social capital. As change agents, social entrepreneurs have to have a calling to rise above narrow self interest.

Perhaps this means revisiting the culture of the Northwest natives of Canada and the United States. Kramer comments regarding their economic and social structure that the upper classes lived a privileged life with the obligation to accumulate wealth. They were then to give it all away in a elaborate ceremony known as potlatch. All benefitted from the success of the few.

12. Social Capital and Public Education

Public elementary and secondary education has been under fire for over a decade. Much of the criticism has focused on poor performance on basic education tests particularly by minority and disadvantaged students. In this discussion there has been little focus on the role K-12 education plays in creating social capital or fostering social entrepreneurship. Public education is a form of social capital, but it also is a creator of those who will become social entrepreneurs. To date there has been virtually no research on how well these functions are being dispatched.

At the very heart of educational reform discussions the concept of social capital should be included. Across the globe curriculum reformers, according to Popkewitz, are concerned less with the specific content of school subjects and more with making the child feel "at home" with a "cosmopolitan identity" that embodies a pragmatic flexibility and "problem-solving" ability (p.5). Pring senses a growing concern for the neglect of personal and social qualities to which teachers and society in general have traditionally attached so much importance: good citizenship, strong values and respect for others. These qualities lead not only to the well being of the individual, but also lead to the growth of social capital.

DeYoung and Theobald believe there is a need to refocus public education. Too often school districts stress what the district needs to get from voters instead of concentrating on how the school can help sustain the social community (Howley, Hadden and Harmon). Elementary and secondary education needs to collaborate with as well as support the community of which it is a part. The two are inexorably tied and dependent on each other. As Fagerlind and Saha conclude, "Education – in the sense of Western-type schooling – is both determined and a determinant of the society of which it is located.... both an agent of change and in turn is changed by society... it acts both as a producer of social mobility and as an agent for the reproduction of the social order" (p.88).

Goldby contends today's school professionals should be expected to foster community relations by working closely with the school's community and by looking upon the school itself as a learning community in which they work to instill a sense of community in their students. This thought is further developed in Lane and Dorfman's definition of collaboration between schools and communities as having two main goals:

1. to strengthen and increase social capital by forming strong social networks; developing active, democratic participation; and fostering a sense of trust and community

2. to increase the ability and capital of the community to utilize stocks of social capital to produce meaningful and sustainable community renewal (p. 10).

Keyes and Gregg state, "...typical discussions of social capital appear to be grounded in the assumption that schools will help people in the community develop social capital and form connections to the school. It would appear that an equal task of collaboration is to develop social capital within the school, by increasing its connections with and trust in the community"(p.6).

How can schools work toward developing desirable social capital? Heretofore, this was expected to be transmitted to children around the family dinner table. Many young people today have never experienced the interweaving and dependency on others that can be found in a close knit family whose relationships are built on trust and communication. Pring comments, "There are certain social skills which we often take for granted, but which have in fact been developed in specific social contexts, in particular, within families who eat together, discuss, question prevailing values, challenge unsubstantiated claims, justify their views when subjected to criticism" (p.86).

Increasingly, K-12 schools are asked to help develop the total person, but the development of social capital is not accomplished within traditional curriculums. Turning to Pring, "The skills and dispositions for so engaging are not easy to acquire, and yet they are either taken for granted or regarded as unimportant in a curriculum which too often pursues a narrow form of academic excellence and a pedagogy which relies on the transmission of unquestioned knowledge" (p.86).

13. Social Capital and Youth Entrepreneurship Education

Research documents a rapid growth of youth entrepreneurship programs in the United States. While these vary in effectiveness and content, all have a central theme of new venture generation and the development of personal entrepreneurial characteristics. In Kourilsky and Carlson's extensive review of entrepreneurship programs focused on youth, there is no mention that social entrepreneurship as a covered topic. The core of entrepreneurship programs they found to be: identification of a market opportunity, generation of a business idea appropriate to the opportunity; the marshaling of resources to pursue the opportunity; the element of risk, and the creation of an operating business based on the idea. Rushing and Kent's review of the penetration of youth entrepreneurship programs in the United States also makes no mention of social entrepreneurship being central to any of the curriculums. Yet there are programs where social entrepreneurship can be found.

Within elementary classrooms, Kourilsky's Mini-Society curriculum has been working toward the development of social entrepreneurship in individuals for more than 20 years (Kourilsky 1996). Taught nationwide in 43 states, the Mini-Society curriculum is an entrepreneurship-based, interdisciplinary instruction system that employs self-organizing, experience-based learning conditions. The Mini-Society instructional system is not a game or a simulation. Fourth, fifth and sixth grade students experience a real world microcosm of society. After the initial stages, the teachers role diminishes to that of a citizen on equal par with the students. As the society develops, students learn to communicate, trust their fellow classmates, and trust their teacher to allow them to make decisions themselves.

During Mini-Society teacher training workshops, teachers are cautioned to let students make their own mistakes and live with the consequences of their decisions as a society. The core values of social capital are essential in the Mini-Society curriculum. Those students who bring high levels of social capital to the classroom can further develop their skills, while other students who may have never had a strong home environment can learn how it feels to be connected to another person and be part of a community based on common values and democratic decision making.

Entrepreneurship education is appealing to high school students as well as elementary school students. A mid 1990's Gallop poll of high school students found 70 percent of them wanting to start a business. Of those wanting to be entrepreneurs, 68 percent felt they would have an obligation to give something back to their communities other than creating jobs. This finding indicates a strong relationship between what is traditionally considered entrepreneurship and "social entrepreneurship" in this age group. Kourilsky and Carlson acknowledge high-school students to be in a "social reformer stage" of their development. This is consistent with the Gallop Poll findings. During secondary education, introduction of social entrepreneurship as part of an entrepreneurship program would seem highly appropriate.

Kourilsky also pioneered another youth entrepreneurship program embracing ideas essential to social entrepreneurship. The EntrePrep program runs for an entire year as an out-of-school experience for rising high-school seniors (Kauffman Center, 1999). Consisting of a summer week of intensive instruction, the participants later engage in an internship with a practicing entrepreneur during the school year. While designed to teach the essentials of business initiation and an appreciation of the importance of entrepreneurial behavior in any situation, the students are also exposed to social entrepreneurship. The students are challenged to consciously consider their personal life goals as well as their future as potential entrepreneurs.

One way in which this is accomplished is by case studies and "elbow rubbing" with practicing entrepreneurs who in addition to being successful business initiators also have been "social capitalists". One outstanding case study is Ewing Marion Kauffman. "Mr. K's" life story is highlighted as a successful entrepreneur who embraced social entrepreneurship by dedicating his life and resources to giving back to his community. His foundation has become a major sponsor of youth entrepreneurship programs, programs for at-risk students and entrepreneurship research. Student's in the EntrePrep Program are taught Kauffman's three guiding principles: treat others as you would like to be treated, those who produce should share the rewards, and give back to the community (Kauffman Center, 2000). These should be emphasized in any youth entrepreneurship curriculum.

14. Conclusions and Future Directions

The authors of this paper have been concerned about the “individualistic” nature of the current academic “discipline” of entrepreneurship. For academics interested in human capital and entrepreneurship educators concerned with innovation, it would be well to remember what Coleman argued. For him social capital has to do with individuals’ capacity to relate and associate with each other. This is imperative for economic life and social progress as well. The capacity to form social communities depends on shared values and goals. This allows individuals to subordinate their individuality to a larger group. Shared values lead to trust and trust leads to innovation and economic growth.

Entrepreneurship education programs, at the pre-college or college level, owe it to future entrepreneurs to keep in sight what is most important in innovation today. Above all else, entrepreneurship educators must teach students to value people; their thoughts, abilities and needs. This inclusion must be more than just showing how an individual enterprise can be make more efficient. At the core of the curriculum must be the development of teamwork, interpersonal skills and social consciousness in addition to the techniques and insights needed for venture initiation.

Through people goals are achieved, innovation happens, organizational missions fulfilled and social change transpires. Though the new economy seems different from the old, the values that propelled entrepreneurship in the past will sustain innovative firms through these rapidly changing times. But even more important may be the development of social entrepreneurship healing wounds, reducing tensions and creating a stronger community. Long before the information age, one of history’s greatest entrepreneurs, Walt Disney, said, “You can dream, create, design and build the most wonderful place in the world, but it takes people to make the dream a reality”. This should be the core for education of social entrepreneurs.

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