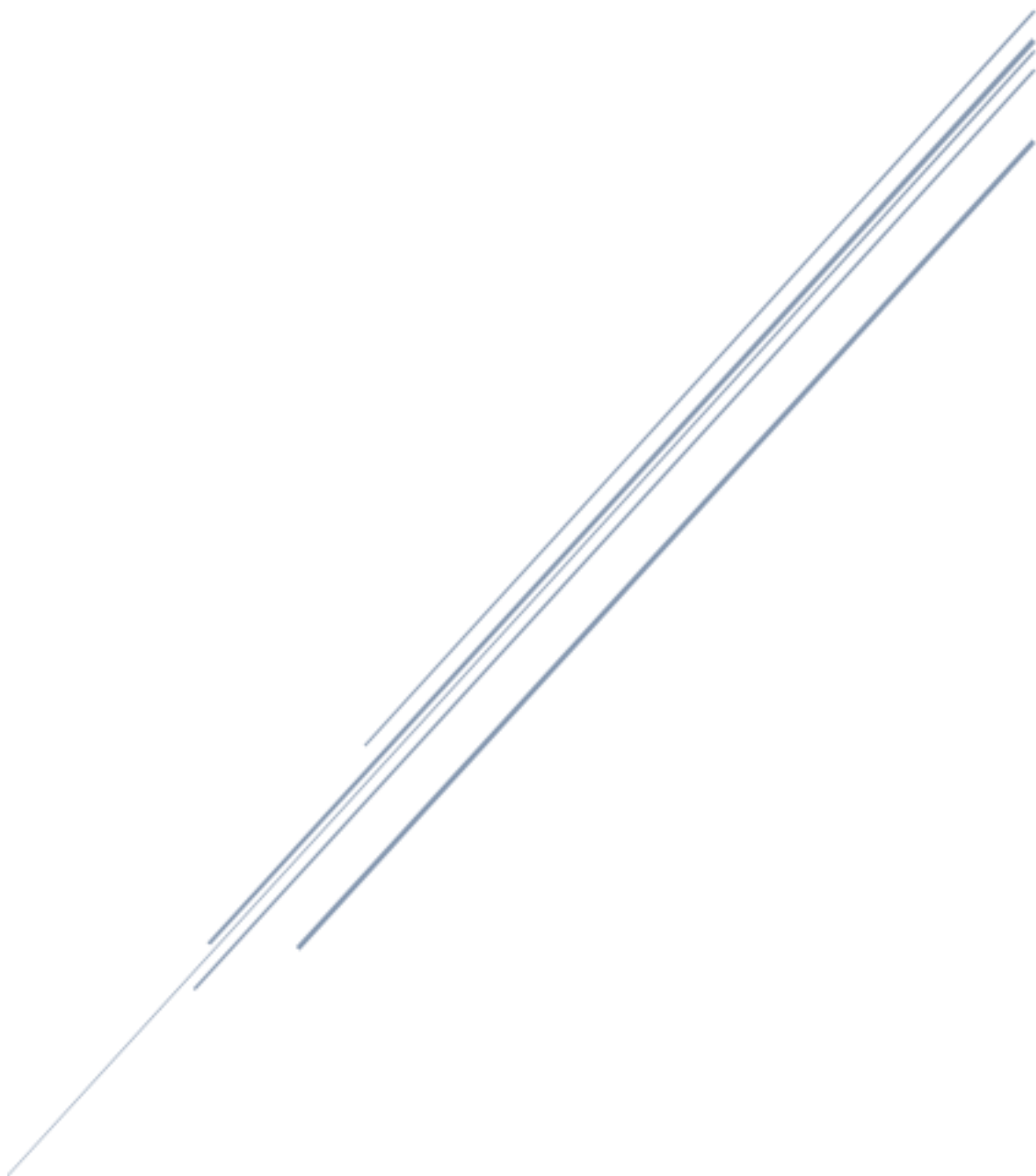


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**Article Review - Community and Capital in Entrepreneurship and Economic Growth**



Entrepreneurial Perspective  
LCDB7001

**Lecturer: DR. Gladius Kulothungan**

UNIVERSITY OF WALES TRINITY SAINT DAVID

## **Community and Capital in Entrepreneurship and Economic Growth**

Samila, S., and Sorenson, O. (2017) *American Sociological Review*, Vol. 82(4) 770–795 © American Sociological Association 2017, DOI: 10.1177/0003122417711699, [journals.sagepub.com/home/asr](http://journals.sagepub.com/home/asr)

The article ‘Community and Capital in Entrepreneurship and Economic Growth’ was written by Sampsa Samila and Olav Sorenson in 2017. The report examined the effect of social integration and venture capital on innovation, entrepreneurship and economic growth. The research was carried out in metropolitan areas of the U.S. by using the panel data available between 1993 to 2002. This article was published at a crucial time where the topic of immigrants, diverse races and communities of people in different colours were abundant in the U.S. after the 2016 presidential campaign, and the effect of integration of those people into the economy has been an attention-grabbing topic for the policymakers. Consequently, this paper helps to address this issue (though it was not straightforwardly mentioned in the paper) and declares that areas of active racial integration propagate more venture capital, which leads to more valued inventions and forms more entrepreneurial groups among ethnically diverse communities.

In the literature review, the principal question that the authors asked was if the integration of different ethnic people increases the rate of contribution to economic growth? According to some researchers, (e.g., Fernandez, Castilla, and Moore 2000; Burt 1992; Podolny 1993), the configurations of exchange and flow of information arrangement opens opportunities. However, these patterns of interactions never certainly qualify that they help to the growth of the economy at the societal level. Therefore, to answer this question, the researchers first attempt to explore the level that influences the distribution of venture capital. It is because most venture capitalists trust more on their social connections and tend to invest in entrepreneurs belonging to their socio-cultural groups (Sorenson and Stuart 2001). However, the researcher focused on the opportunities for social interactions instead of their relationships. Though there are practical difficulties in enumerating the relationships, identification of relationships is more important for this study. It is because the allocation of capitals and its aftermath is more contingent on relations, not the opportunity to interactions.

The paper has been constructed in a logical order and has conceded two independent variables; venture capital and ethnic integration while innovation, entrepreneurship, employment levels, and regional income were assumed as the dependent variables. However, if a conceptual framework had been illustrated in the article, it could have been easier to understand the concepts incorporated with the research, and it would assist in reducing the confusions that a reader may experience. A sound framework helps to identify the various concepts and the relationships among them.

According to the writers, a city with more racially amalgamated than the standard had at least 30 per cent greater effects of venture capital on entrepreneurship, innovation and economic growth. These results are constant with most other studies of racial integration established elsewhere. According to the researchers, this result is obtained basically for three reasons. Firstly, the more integrated areas do produce better ideas so that they attract venture capitalists that leads to more investments in that area. Secondly, social connectedness eases the process of resource mobilisation, which allows the recruitment process and investment actualisation speedier. Thirdly, the level of amalgamation helps to boost the spillover effects connected with entrepreneurship.

Some concerns have raised in researchers’ empirical analysis. In measuring venture capital, the researchers have restricted limited partnership funds and excluded angel investors, corporate venture capital, and direct investments by university endowments even though all those investors

provoke the local economy. To assess entrepreneurship, the researchers have neglected the newcomers, so it was considered more established companies to examine the integration and entrepreneurship. In assessing innovation, the researchers have used only an account of registered patents in that area. This could not be adequate to assess the innovation of a group of people because there are many other means to measure innovation throughout the continuum of businesses over time. Besides, evaluating the entrepreneurship, the researchers have taken account of the established new businesses. However, they have ignored the fact that existing businesses do establish new ventures that fall into the entrepreneurship category. If these issues were addressed, a significant alteration could have been seen in the study.

Researchers in this study have concentrated on the positive side of ethnic diversity and its accumulated advantages to the economy. However, it has the limitation of leaving the significant outcome of ethnic diversity when they have differences of opinion in agreeing with issues related to social services and community activities like education and public infrastructure. Regions highly concentrated with racial segregation may not be easy to resolve such issues. Another limitation of the research is that the result cannot be generalised across the countries as the global socio-economic environment may not be similar to many other countries.

In the discussion section, the researchers have highlighted the variables that have significance and linked them to earlier researches. The authors also recognised some areas that require more effort to explore due to the scarcity of knowledge. After analysing the paper, some may foresee threats to its validity. For example, in choosing the sample, the researchers have eliminated some crucial elements from the data set which be translated as bias and the elimination of some data could be arbitrary; therefore, it could be a threat to its validity both internally and externally. Consequently, this weakness in the design could be counted as an external threat to validity because the outcomes may not be generalised to a more significant population.

This research contributes to the knowledge by establishing the relationship of more residentially integrated communities bring more investments allowing its members to exercise their entrepreneurial and innovative ideas, thus contributing to the growth of the economy. Although this information should not be overly generalised, it can be useful for policymakers and community development stakeholders in general. Overall, it is a well-written article with an important message for researchers and policymakers. When taken as a whole, the piece is connected and very persuasive to address this complex problem. Future research based on this finding could be carried on residential ethnic integration could decrease cross-race disparity but upsurge within-race stratification.

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