SOCIAL CAPITAL IN ORGANIZATIONS: EMERGENT AREAS AND KEY ISSUES

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ABSTRACT

This paper reviews the recent empirical literature on social capital from 2000 to 2006, augmenting the foundational work done by Adler & Kwon (2002). In that article, the authors identify several issues with the social capital concept, including how it is conceptualized and operationalized within the context of organizational studies. In this review, we found that most of the recent empirical work reflects a conceptualization of social capital as residing within the social network (as opposed to within the individual), a focus on the structure of the relations rather than on the content of the relations (e.g., norms, trust), and an operationalization of social capital as an independent (rather than as a dependent) variable.

Keywords: social capital, organizations, social networks

Introduction

The concept of social capital has recently gained prominence in organizational studies (Adler & Kwon, 2002, p.17). A quick search on a major research database using the subject term ‘social capital’ indicated nearly a 700% increase in articles on the subject within the past ten years as compared to the ten previous years. While research on social capital has been subjected to a variety of meanings and interpretations, and despite the ongoing debate about where social capital is located (i.e., within individuals or within social networks), organizational researchers generally agree with the notion that social relations have value that can be leveraged towards some purposeful end.

Adler & Kwon (2002, p. 23) provide the following “working definition” of social capital:
Social capital is the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor.

Based upon their extensive review of the social capital research in the organizational arena, the authors summarize the findings from empirical studies in which social capital has been found to play a significant role: career success and executive compensation; job finding and recruitment pools; inter-unit resource exchange and product innovation; the creation of intellectual capital and cross-functional team effectiveness; turnover and organizational dissolution rates; entrepreneurship and the foundation of start-up companies; strengthening supplier networks, regional production networks, and inter-firm learning (Adler & Kwon, 2002, p.17).

One issue raised by critics of social capital is that the concept is perhaps so broad that it loses its usefulness. In fact, ongoing literature searches on this topic reveal a wide array of settings and problems to which the concept of social capital has been applied. Many of these studies are at the community or societal level—the role of social capital has been studied in areas as diverse as poverty reduction, rural development, environmental management, and interethnic conflicts. It has also been studied as a characteristic of individuals, groups, organizations, and inter-organizational networks. In the organizational arena specifically, research work on social capital has been steadily growing, and therefore merits some attention.

The purpose of this paper is to review the literature on social capital in organizations (focusing on work published since 2000, the time of Adler & Kwon’s extensive review) and to provide some directions for future research. Recent social capital studies support some of the findings mentioned above and also add some promising new areas for research on social capital in organizations. Examples of such areas include: diversity (Weisinger & Salipante, 2005), managerial performance (Moran, 2005), knowledge-sharing within teams (Bakker, Leenders, Gabbay, Kratzer & van Engelen, 2006) and knowledge acquisition and exploitation (Yli-Renko, Autio, & Sapienza, 2001). This paper will discuss issues and implications of social capital research in organizations, building upon both the current and prior literature.

Conceptual & Empirical Issues

There are a few key issues reflected in scholarly debate on social capital that need to be addressed. One has to do with where social capital resides. Many recent organizational studies on social capital reflect a predominant view that social capital resides within the social group or network (Coleman, 1988), rather than within the individual (Burt, 1992). Adler & Kwon (2002, p.19) explain this in terms of relations (the external ties linking an actor to others) versus structure (the internal ties of a collectivity).

Another key issue is how social capital is operationalized, based upon various definitions. Foley & Edwards (1999) reviewed selected social capital articles and found that roughly half of the articles reviewed used social capital as an independent variable, and the other half used it as a dependent variable. Foley & Edwards also discuss two general ways of viewing social capital: one reflecting norms, values and attitudes (e.g., trust) and the other—the “social structural” view—considers social networks, organizations, and linkages. According to Foley & Edwards, the former view suggests that social capital resides within the individual, while the latter view
reflects the more collective view of social capital. They found little support in their study for the view that “generalized social trust” leads to significant social capital outcomes. On the other hand, they found more value and promise in the structural view of social capital. Likewise, other scholars challenge the role of trust in social capital. For example, in a recent study by Bakker, Leenders, Gabbay, Kratzer & van Engelen (2006), the authors found that it was the structure of new product development teams, rather than trust among team members, the facilitated knowledge sharing.

Beyond these issues, Westlund & Nilsson (2005) raise the question, as have many economists who have written on the topic, as to whether “social capital” is indeed a legitimate form of ‘capital’. Following Adler & Kwon’s (2002) review and discussion of the ‘capital’ characteristics of social capital, they view social capital as “fall[ing] squarely within the broad and heterogeneous family of resources commonly called ‘capital’” (p. 22).

Review of Recent Literature

For this paper, the authors reviewed the literature on social capital in organization studies published in refereed academic journals between 2000 and 2006. The key words “social capital and organizations” were employed, using four academic databases (Business Source Premier, Emerald, Wilson Business, & ERIC). Using this process, the searches yielded 307 distinct articles on social capital and organizations. Of these, five were empirical articles and 70 were conceptual or theory-related. The remaining articles yielded in the search were in other related areas such as sociology, economics, etc. Thus, interestingly, much more of the recent academically published work on social capital in organization studies focuses on theory and conceptualization, rather than on empirical research, and a relatively small proportion of it is focused at the organizational level.

Of the empirical articles found, one measured the “instrumental” value of current employees’ social networks (Fernandez, Castilla & Moore, 2000). Accordingly, social capital was viewed as residing in the bridging (external) ties to other actors within a network. The authors examined the applicant referrals of current employees to determine the value to the organization of tapping into employees’ social networks. Within the context of a large U.S. customer service call center, the authors found that the firm’s social capital investments (reflected in the $250 referral bonus given to current employees for each successful hire who lasted through a specified time period) resulted in gathering a “net benefit” through the firm’s acquiring a “richer pool” of candidates.

Westlund & Nilsson (2005) conducted a pilot study that also measured firms’ investments in social capital, and examined the relationship between these investments and firms’ economic growth. Social capital is conceptualized as “relations within and beyond the firm,” citing Burt (1992, p. 58). In their study of firms’ investments in social capital, the authors focus on investments in “links/relationships” rather than on the content of these linkages (e.g., the norms, values, etc.). Using a questionnaire administered to 209 private companies operating within the Odenskog industrial estate in Östersund, Sweden, the researchers sought to determine the types of firm investments in social capital, as measured by “money and employee time” (p. 1087). They were interested in both internal social capital (e.g., work related contacts, social contacts at work and during leisure, formal and informal meetings, etc.) and external social capital, reflected by three areas—production-related (e.g., cooperation with local enterprises), environment-related
(e.g., contacts with public decision-makers and local executives, costs of local sponsorships), and market-related (e.g., costs of marketing and relationship building through advertising, customer offers). The study suffered from a low response rate (24%) which meant that 49 enterprises responded to the questionnaire. Correlational analyses indicated, among other things, a significant relationship between social capital investments (measured in monetary terms) and employment growth, particularly monetary investments in external social capital in the areas of marketing and sponsorship.

In a study on absorptive capacity and innovation in internet marketing, Tsai (2006) investigated how website structure and customer relationships affect customer knowledge flow and innovation in internet marketing. Again, this study appears to view social capital as residing within the network. Tsai examines aspects of network structure, and finds that both structural and relational embeddedness (Granovetter, 1985) positively affect absorptive capacity (defined as the capability of a business to “acquire, transfer, update, renew and apply customer knowledge” (p.160)) as well as innovative performance. Similarly, Moran’s (2005) work on the impact of managers’ social capital on managerial performance examines both structural embeddedness (the configuration of the network) and relational embeddedness (the quality of the relations). In sample of 120 product managers in a Fortune 100 pharmaceutical company, he found that both types of social capital impact managerial performance, albeit in different ways—structural embeddedness appears to impact more routine, execution-oriented managerial tasks, while relational embeddedness impacts more innovation-oriented managerial tasks.

In summary, the recent empirical work on social capital tends to reflect the view of social capital as residing within the network, rather than within the individual. Also, these studies appear mostly to focus on the network structure, rather than the content (e.g., norms, trust, etc.). This is likely in part because of the difficulty in measuring concepts such as trust and norms. Further, social capital in these studies appears to be used mostly as an independent, rather than as a dependent variable.

Thus, empirical studies that have been conducted since Adler & Kwon’s review provide some new areas of inquiry and partially address some of the key issues debated in the field. Future research in this area should more fully examine how the social capital concept has been operationalized and conceptualized in empirical studies. This work could focus on the area of organizational studies, and also contrast organizational studies to other areas such as economics, in order to provide a fuller picture of empirical work on social capital.

REFERENCES


