

Towards a Theoretical, Multi-level Model of Social Capital in a Business to Business Context.

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Purpose of the paper and relevant literature

It has long been acknowledged that interpersonal relationships are vital to business performance. In recent decades social capital has increasingly become an “umbrella” term for networks of interpersonal and inter-firm relationship. A considerable amount of research has examined social capital in the business context, some have sought to clarify the concept (e.g. Walker, Kogut and Shan, 1997), or determine the organizational benefits (e.g. Wu and Leung, 2005), others have investigated it at individual or organizational levels (e.g. Spence et al., 2003) or in different industrial contexts (e.g. Uzzi, 1997). Despite the proliferation of material there is limited understanding of how social capital is developed and used across multiple levels in a business context (Tyge Payne, Moore, Griffis and Autry, 2011) and a lack of consensus on the antecedents, constituents and benefits which it provides (Fine, 2010). The aim of this paper is to determine the common themes associated with social capital, examine its sub-dimensions and the relationships between them and to use this information to put forward theoretical frameworks for social capital at the individual, individual dyadic and organizational and network level and suggest a future research agenda.

Social Capital at the Individual Level – A key theme underpinning much work associated with social capital is the importance of human relationships and whilst it might be argued that social capital may lie within a relationship or within the individual themselves, in this paper the latter view is taken. With regard to a theoretical framework at the individual level, there are two main antecedents to social capital, human capital and social competence. Human capital relates to the individual’s education and experience which will enable them to be more adept at identifying opportunities for developing social capital (Davidsson and Honig, 2003). Social competence encompasses a variety of skills e.g. persuasiveness and is the individual’s ability to develop and maintain social capital (Baron and Markman, 2003; Hatala, 2009). These two antecedents may interact so an individual with high levels of human capital and social competence will be more adept at developing and using social capital. Social capital itself broadly consists of structural, relational and cognitive

dimensions. Structural social capital refers to the nature of the ties which may encompass their function (e.g. Easton 1992), their strength and whether they are personal (Granovetter, 1973). The relational dimension of social capital has been perceived to incorporate a number of attributes but a fundamental characteristic is trust (e.g. Burt, 1992). Trust leads to greater social interaction (Nahapiet and Ghoshal, 1998) and tie building (Davidsson and Honig, 2003). The cognitive dimension is perceived as including shared norms, codes and narratives and a common language. Research has been conducted into the relationships between the structural, relational and cognitive dimensions of social capital but the findings are inconclusive. These are the essential components of social capital at the individual level.

Social Capital and the Individual Dyadic Level – Social capital is important when two individuals interact in a market setting. One of the main benefits of social capital is access to information. The individuals interact and exchange information that can be used to create new knowledge which subsequently leads to benefits to the organisation and/or individual. The social capital existing between the individuals may mean the parties gain privileged access to information, quicker access to information than other parties and the identification of opportunities in the network (Burt, 1997). However the nature of the social capital dimensions that the individuals have in relation to each other will influence the information exchanged. With regards to the structural dimension, weak ties between individuals will be characterized by few interactions, but may facilitate the exchange of novel information whereas strong ties between individuals are characterized by more frequent exchange but the exchanges may contain less novel information (Ulhoi, 2005). If there is a high level of trust between the individuals (an attribute of the relational dimension), this may lead to greater information sharing and less opportunistic behavior (Uzzi, 1997). Individuals who have greater commonality in their cognitive dimension may exchange information more readily with less misunderstanding. For the information exchange to be of any value, the individuals must use the information to obtain the organizational and/or individual benefits. Individuals can acquire a wide range of information which is why broad claims have been made for the benefits of social capital including helping launch innovative products (Hsieh and Tsai, 2006). Individuals may also benefit from the exchange e.g. acquiring new skills (Adler and Kwon, 2002).

Applying and Integrating Social Capital at the Organisation and Network Level – Within an organization there is likely to be more than one individual interacting with more than one representative from another firm. An individual may assess the social capital they as an individual have with a firm. He/she may assess their company's collective social capital with another firm and this may be done by either directly questioning colleagues and/or making inferences from observable behavior, interactions and processes (Bowey and Easton, 2007). The individual's colleagues may be in different departments and at different hierarchical levels. An individual who has not been involved with a firm may find it useful to be aware of their colleagues' social capital with a firm. Managers need to be aware of their employees' social capital with other firms. It is essential for employees to be aware of the social capital that exists as it will assist in making decisions regarding obtaining information and accessing resources. Little research has encompassed multiple organizational levels however, Kostova and Roth (2003) put forward a model of how perceptions of social capital can be conveyed and developed in a multinational company's subunits which could similarly be applied at an organizational level and expanded to the network level.

Contribution - Social capital is a widely researched area across a number of disciplines. Yes examination of social capital in a business context has led to varied and sometimes contradictory antecedents and also benefits. There is also only a limited amount of work that attempts to describe how social capital might develop and be used across multiple levels within and between organizations. The aim of the paper is to use previous research to propose a framework that might be used to explain the development and operation of social capital at the individual, individual dyadic and organization and network level. The paper concludes with propositions for future research directions.

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