Social Capital Theory

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Abstract. The Social Capital Theory entry includes sections that define the theory, explore developments in the theory, demonstrate specific application of the theory to HRM, and provide suggested topic areas for future research. While the idea of social capital has long historical roots, going back to concepts such as 'civicness' and 'civic engagement', the term social capital only became widespread in the 1980s and 1990s. This has led to many definitions, one of which is the one of Nahapiet and Ghoshal (1998: 243): 'the sum of actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit'. The concept of social capital has been applied to organisations, where it can contribute to organisational success. The entry discusses positive outcomes, for example in terms of knowledge management, talent management and diversity and inclusion, but also dark sides or risks, and how social capital is a construct that originated in the West.

31. Social capital theory

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Definition and theory development

Origins and definition

While the idea of social capital has long historical roots, going back to concepts such as 'civicness' and 'civic engagement', the term social capital only became widespread in the 1980s and 1990s with the work of three 'fathers' of social capital: Bourdieu, Coleman, and Putnam. Their work inspired three main schools of thought within social capital, summarised by Adam and Rončević (2003).

The first school is based on the work of the sociologist Bourdieu, published in 1986, who distinguished different forms of capital (economic, cultural, symbolic) to explain social stratification. In his view, social capital is about the benefits of membership in networks and other social structures. The second school of thought, introduced by Coleman in 1988, unites sociological and economic perspectives, and emphasises the function or outcomes of social capital, not only for the individual but also for groups, organisations, institutions, or societies. Social capital makes it possible to achieve certain ends that would not be attainable otherwise. The third school of thought originated in the work of Putnam, a political scientist, in 1993, and incorporates this functional view of social capital but takes a sociocentric focus, analysing the role of civic tradition and active citizenship in contexts of democracy. This tradition focuses on features of social organisation, such as trust, norms, and networks, that can help improve the efficiency of society.

The widespread use of the concept has led to many definitions, which have in common that social capital deals with certain aspects of social structure that enable social action (Adam & Rončević, 2003). Adler and Kwon (2002: 23) summarised the concept in the context of organisational

research as: '… 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'. Another often-used definition is that of Nahapiet and Ghoshal (1998: 243): 'the sum of actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit'.

Theory development

The concept of social capital has been applied to organisations, where it can contribute to organisational success. Adler and Kwon (2002) developed a conceptual framework of social capital for the organisational context to show how it creates value. The framework unites two views of aspects of social relations that build social capital, namely the formal structure of the ties that make up the social network (see also the entry on Social Network Theory) and the content of those ties. It also defines three sources of social capital: 1) opportunity (the actor's network of social ties), 2) motivation (the willingness of the social ties to help the actor), and 3) ability (whether the social ties are able to help the actor). Nahapiet and Ghoshal (1998) also recognised these two views about the sources of social capital (structural social capital and relational social capital) and added a third type of social capital (cognitive social capital).

Social capital can have various positive outcomes in terms of information, influence, control and power, and solidarity, but there might also be some risks associated with it for both the focal actor and the aggregate, for example, if one overinvests in social capital (Adler & Kwon, 2002). There are also other 'dark sides' to social capital (e.g., exclusion of others, excessive claims on members of the group, restrictions on individual freedoms, and group closure) because actors can be highly selective and manipulative when using the resource which can lead to significant inequalities (Ayios et al., 2014). It is also important to realise that social capital is a construct that originated in the West, and that cultural differences can affect how social capital is defined and built (Taylor, 2007).

Specific application of the theory to HRM

Social Capital Theory has been used to analyse knowledge sharing within a firm. Nahapiet and Ghoshal (1998) posited that social capital helps build intellectual capital, and that organisations are conducive to developing social capital. Social capital is crucial for the success of multi-national organisations because of its link with knowledge sharing as well supporting coordination and cooperation across borders (Taylor, 2007). High-value boundary spanners (HVBSs) are employees who can bridge cultural boundaries and who add value to the process of task coordination and knowledge creation and sharing. Hence, global managers acting as high-value boundary spanners need to understand different forms of networking in respective cultures to generate and utilise social capital effectively.

Social capital can potentially be created in different contexts, including meetings, project groups, cross-border teams, and expatriate/repatriate interactions, which may significantly contribute to knowledge sharing (Mäkelä & Brewster, 2009). Different contexts generate different trust levels that correspond to the development of social capital. Meetings and project groups generate relatively less social capital, resulting in lower knowledge-sharing levels than in an expatriate/repatriate and cross-border team context.

Talent Management, understood as the development of a pool of high-potential and high-performing individuals, is a fast-growing research field in human resource management (HRM). From a Global Talent Management perspective, Moeller et al. (2016) investigated the challenge inpatriates (individuals sent from host country subsidiaries to headquarters to work for a period of time) face as boundary spanners to build social capital at the corporate headquarters. Boundary spanning by building social capital with the headquarters personnel is regarded as important so that subsidiary personnel can influence decision making. Moeller et al. (2016) concluded that with the organisations' support, inpatriates need to proactively develop and maintain social capital with headquarters by presenting themselves as high-value boundary-spanners to the subsidiary–headquarters relationship.

Workplace diversity and inclusion have been increasingly analysed in a human resources (HR) context in organisations that operate interna-

tionally. Utilising Bourdieu's perspective on social capital, Georgiadou and Syed (2021) discussed gender diversity (see also the entry on Gender Theory) across macrosocial and organisational levels of analysis. By drawing attention to East Asia's collective and Confucian cultural context, Chinese, Korean and Japanese social capital constructs are presented and characterised as social capital ties largely dominated by men. In line with Taylor (2007), Georgiadou and Syed (2021) suggested that a) cultural differences lead to differences in the way social capital is developed, maintained, and utilised and b) even while the younger generation is assumed to be more gender egalitarian, this can lead to gender discrimination. As a result, diversity and inclusion policies developed in headquarters of Western international firms are often difficult to implement (or run the risk of being ineffective) in local host country contexts.

Furthermore, social capital can be generated at the organisational level as a result of employment practices. Leana and Van Buren (1999: 538) defined organisational social capital (OSC) as a 'resource reflecting the character of social relations within the organization'. OSC can be generated through employment practices as it facilitates collective action based on mutual trust and collective goal orientation. OSC-enhancing employment practices include providing job security, investments in training and development, the development of relationship-oriented norms (teamwork, shared learning, etc.) or rewards for honouring these norms (Leana & Van Buren, 1999). Organisations supporting employment practices that foster OSC benefit from higher levels of organisational effectiveness and less resistance to change (Andrews, 2010).

Suggested topic areas for future research

Adler and Kwon (2002) and Lee (2009) formulated several recommendations for future research using Social Capital Theory. First, it is important to distinguish bonding and bridging social capital and combine both in research on social capital, even if this includes working with different levels of analysis. Second, research should not only focus on the potential benefits but also the risks of social capital. Social capital is not value-neutral, and future research should consider the potentially negative sides of social capital as well as the influence of negative behaviours (e.g., not reciprocating an expectation). Third, future research should consider both face-to-face and electronic communication on social capital

building activities, especially across borders. Fourth, mixed methods and longitudinal research is advocated for social capital research, particularly also to understand linkages between structural, relational and cognitive social capital.

Another recommendation is to consider the role of culture (Taylor, 2007). Since the social capital concept has been developed largely by Western scholars, there has not been much research on how it translates into other cultural environments where relationship development and maintenance may follow different values and norms. Consequentially, utilising social capital in organisations may result in different approaches to, for instance, motivating employees or sharing (how and with whom) knowledge. Informal networks are another area where cultural differences exist. This form of social capital consists of strong dyadic ties between individuals who bond based on affection and often a shared background. Some of these ties rely on bonding social capital, others on bridging social capital or both. They are known as *yongo* in Korea, *wasta* in the Arab world, *guanxi* in China and *blat/svyazi* in the post-Soviet Union countries. These forms of social capital have in common that they are difficult to access for cultural outsiders since they can be based on consanguineal ties or elite membership or are in any other way predefined (Horak & Paik, 2022). Since these social capital ties are embedded in the respective cultural environment (Taylor, 2007), they represent societal structures and are influential in business. As expatriate managers have reported struggling to cope with these ties (Horak & Yang, 2016). Future research should develop a more in-depth understanding of the characteristics of informal network constructs in relation to how they impact the work and non-work contexts of expatriates.

Another valuable avenue for future research is sustainable HRM (see, e.g., Cachón-Rodríguez et al., 2022), which emphasises the social and human aspects of the management process. Social sustainability can be seen as reflected in approaches that support employee loyalty and retention, which are the result of employees' perceptions of having generated social capital at the workplace. Future research may investigate the need for having representation and mentorship within an organisation of an increasingly diverse workforce. Workforce diversity may have consequences for the generation of social capital for organisations to benefit from higher retention levels and loyalty across thus far neglected employee demographics.

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Selected further readings

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