

## Social Capital and Organization Performance

Rick L. Mask, Bernice Bain  
*Southern New Hampshire University, USA*

### Abstract

*This paper attempts to contribute to the body of knowledge regarding the value of social capital within business teams and provides a review of social capital within the literature surrounding this topic, based on data collected from 10 journals, published between 2010–2018. Although there were limitations and various levels of impact, social capital had a positive influence in all literature reviewed. Whether the focus of the literature be on crowdfunding, economic growth, or development practices, social capital demonstrated a positive influence. Implications of these findings were also discussed and suggestions for future research were provided.*

### 1. Introduction

Social capital has been expounded upon over the last 100 years by scholars and business professionals alike, but its importance is often overlooked as the global economy pushes towards enhanced efficiency and automation. The elements of social capital are still in existence and a focus on these elements is critical if we are to utilize social capital to our advantage in business. The social capital constructs of relational capital, cognitive capital and structural capital are respectfully defined as being the heart, mind and body of the organizational unit [1]. This review examines the research surrounding this topic.

### 2. Literature Review

The literature review contains articles spanning from 2010 to 2018, and is inclusive of research from various industries, organizations, and countries. .

Clopton's 2011 study reviewed social capital through the *resource-based view of organizations*. Social capital was viewed through the constructs of cognitive capital, relational capital and structural capital. The study utilized a multiple hierarchical regression analysis to collect data and the sample size was that of 1600 student-athletes from 23 colleges in the USA, all of which were affiliated with the NCAA. Of the 1600 athletes 570 responses were collected netting a response rate of 35.63%. The independent variable was identified through use of an adapted Social Capital Assessment Tool (SCAT) was used to identify the perceived level of social capital on each of the 23 sampled campuses. The dependent variable was calculated through the percentages of wins from

the teams that each of the athletes belonged. The findings from this study *show a significant connection between social capital and team performance*. Additionally, this study *supports past theoretical models where social capital maintains a significant presence in overall group effectiveness* [1].

Song's 2016 study *analyzed the effects of social capital on the organizational performance of local government and whether the effect varies across national cultures*. It should be noted that social capital was also viewed through the constructs of cognitive capital, relational capital and structural capital within this article. The study focused on Omaha Nebraska in the U.S. and Wonju City in South Korea. The sample size consisted of 407 surveys with a usable response of 294 surveys, yielding a 72.23% response rate. Culture variables were measured from 26 indices and 5 factors, social capital (independent variable) variables were measured from 17 indices and 3 factors, and organizational performance (dependent variable) variables were measured from 13 indices and 4 factors. Findings from the study indicated that in the both the United States and South Korea, *social capital has a positive influence on organizational performance in government* [2].

Chen et al.'s 2018 study *explores knowledge sharing and social capital as antecedents of innovation strategy at the firm level and investigates its effect on financial performance while also considering customer satisfaction*. It should be noted that social capital was also viewed through the constructs of cognitive capital, relational capital and structural capital within this article. The study used structural equation modeling to examine 813 technology firms in Taiwan. Of the 813 technology firms, 195 usable responses were received netting a response rate of 23.98%. A six item scale was utilized to measure innovative strategy, a three item instrument was utilized to measure internal knowledge sharing, a four item instrument was utilized to measure external knowledge sharing, a four item scale was utilized to measure customer satisfaction, a three item instrument was utilized to measure financial performance, and an eleven item instrument was utilized to measure social capital with external partners. Findings from the study *show both knowledge sharing and social capital with external partners actually shape innovation strategy*. *In addition, the results show social capital with external*

*partners positively affects the collaboration strategy but is slightly negative in the outsourcing strategy, reflecting the double edges sword of social capital in facilitating and undermining innovative strategy. Thus, firms with both substantial knowledge sharing and credentialed social governance competences are in the best position to adopt the appropriated strategy [3].*

Bandera and Thomas's 2017 study examines social capital in relation to *the density of firms in incubators and clusters utilizing the longitudinal Kauffman firm survey of 4,928 companies founded in 2004 and the US Census Bureau County Business Patterns*. This viewed from within the cluster and through collaborations with other agents (universities, industries, and government organizations). *The study measured a startup's use of social capital by whether or not its founder believes that collaborations with other companies, universities, or government labs improved its competitive advantage*. The zip code and industry code was utilized to determine industry type and comparative density. *The study highlights the importance of social capital sharing to startup success, and by suggesting that cluster administrators promote collaboration within their critical masses. Additionally, the work suggests that instead of focusing on the development of human capital among their tenants (bonding social capital), incubator and cluster managers should encourage startups to develop their social capital with external partners through (bridging social capital) [4].*

Yadav et al.'s 2018 paper *analyzes the impact of financial, social, and human capital on entrepreneurial success by examining initial investment in business, access to finance, network ties, trust in network, shared vision, education, and experience as the predictors*. It should be noted that social capital was also viewed through the constructs of cognitive capital, relational capital and structural capital within this article. The study utilizes a combination of descriptive and casual-comparative research designs. The design focused on analyzing factors affecting entrepreneurial success. The dependent variables in the study are performance index and success perception index and the independent variables are *initial investment in business, access to finance, network ties, trust in networks, shared vision, education, and experience*. Primary data were collected from 264 owner/managers of 118 REEs using structured questionnaires and the secondary data, covering a period of 42 years of the biogas sector, 25 years of the solar sector, and 55 years of the micro-hydro sector were collected for the study. Major conclusions of this study indicate that *access to finance, network ties, trust, education, and experience appeared to be the major factors affecting entrepreneurial success*. Factors like trust and network ties are directly linked

to the constructs (relational, cognitive, and structural) of social capital. [5].

Westlund and Adam's 2010 paper examines 15 years of empirical research from 65 studies. The paper concurred that on an organizational level, strong evidence suggests that social capital has a positive impact on firm performance. The paper did determine that there is a need for additional research for business with large numbers of units and actors. As the results in these areas appears to be contradictory at times. Elements that are called into question are perceived microeconomic trust vs. the actual role it plays in the macro-economy of the organization as well as in the global economy. The movement from a single firm to various actors impacts the results of the research. Additionally Westlund and Adam point out that *the development of measures of values, norms, and attitudes connected to creativity, tolerance, entrepreneurship and sharing of knowledge, and to find better measures for social networks, are the main challenges facing future research into the economic impact of social capital [6].*

Subramony et al.'s 2017 study focuses on leadership development practices (LDPs) and the mediating role of human capital and social capital. It should be noted that social capital was also viewed through the constructs of cognitive capital, relational capital and structural capital within this article. Data for this study was collected by administering an online survey to the entire Indian chapter of the Society of Human Resource Management (SHRM). Of the 1,000 surveys sent out 223 responses were received yielding a 22.3% response rate. *The LDP variables consisted of 12 items measured on a 5 point Likert-type scale. Social capital and human capital were measured utilizing 9 items from the intellectual capital scale*. Descriptive statistics and correlations between the variables were examined and structural equation modeling (SEM) was utilized to test the hypotheses. The reported findings show that integration LDPs positively influenced social capital, differentiation LDPs were positively associated with human capital, *and human capital mediated the relationship between differentiation LDPs and sales growth*. Additionally it was noted that *social capital can have a positive impact on financial organizational performance, especially on proximal indicators of employees' collective effectiveness such as sales growth and productivity, as well as organizations' innovation performance [7].*

Melcki's 2011 paper focuses on Regional Social Capital. Social capital is defined as *a culture of interaction among people, with productive economic outcomes* and it should be noted that social capital was also viewed through the constructs of cognitive capital, relational capital and structural capital within this article. Melcki's paper reviews how social capital examines how people function locally and abroad and shows how both relationships are important. Social

capital is presented as being *part of a region's 'collective personality'* and defines how they innovate. Social capital is noted as being necessary to the development of a region; *while hard to identify and challenging to measure, its effects are visible in many ways. Across-the-board policies will not work, since both public intervention and public-private cooperation are needed to stimulate network formation through the building up of social capital in each region.* Melcki points out that the need for social capital is evident as the global economy expands and moves into other areas. Regional attunement through social capital creation is necessary for businesses to thrive [8].

Colombo et al.'s 2015 paper provides a review of the existence and role of internal social capital within the crowdfunding community. An analysis of the relationship between project success and contributions received shortly after the product is launched and the role of social capital in this environment. This type of social capital is noted by the author as being internal social capital. The hypothesis is that *proponents' internal social capital deploys its value in the initial days of the project, when uncertainty surrounding the project discourages pledges from the general public and is essential to trigger a "success-breeds-success" process.* The hypotheses was tested on data collected from 669 projects at Kickstarter.com alongside a survey sent out to 1620 community members. Of those surveyed 306 usable responses were obtained yielding an 18.95% response rate. Projects were separate into four categories: film, video, technology and design. The information was coded into three sets. Descriptive statistics were then utilized to determine results. Findings noted that *internal social capital is a predictor of campaign success, but that the number of early backers and the percentage of target capital raised early mediate this relationship. Once these factors are accounted for, the effect of internal social capital fades.* [9].

Ali-Hassan et al.'s 2015 study focuses social media use, in the workplace, for socialization purposes. It should be noted that social capital was also viewed through the constructs of cognitive capital, relational capital and structural capital within this article. The constructs of social media within the study are social use, hedonic use, and cognitive use. Structural capital is defined as the number of expressive ties and number of instrumental ties. Relational capital is defined as *assets rooted in relationships such as trust and trustworthiness.* Cognitive capital is defined as *the common understandings that consist of shared codes, language, and narratives.* The constructs of job performance were routine and innovative. Hypotheses for the study include: There is a positive relationship between employees' social use of social media and their relational social capital. There is a positive relationship between employees' cognitive

use of social media and their relational social capital. There is a positive relationship between employees' cognitive use of social media and their cognitive social capital. There is a positive relationship between employees' relational social capital and their routine job performance. There is a positive relationship between employees' relational social capital and their innovative job performance. There is a positive relationship between employees' cognitive social capital and their routine job performance. Findings indicated that social media, to establish and maintain social relations, is positively linked to the formation of structural social capital. Similarly, it was noted that cognitive use of social capital, was positively linked to all three dimensions of social capital, supporting a strong link to job performance. It is noted that it is *possible for friendships to materialize even in a computer mediated collaborative environment* [10].

### 3. Conclusion

The implications of this paper are evident. Social capital plays a significant role in various organizations and industries and is impactful in various ways. It should be noted that the majority of articles utilized the constructs of cognitive, relational, and structural capital when defining social capital and this appears to be the preferred choice to measure social capital. There are individual calls for future research in regards to social capital in each one of the referenced articles. Additionally, future research and study of connections between social capital and other leadership, change and motivational theories would be valuable to truly understand the application of social capital. This conversation is noble one that must continue forward if we are to understand and utilize social capital to advance our understanding of one another as individuals, as organizations, and as a global economy. As we move forward social capital appears to be more and more a sense of currency as it is impacting global trade, startups, organizational development, crowdfunding and various other areas of our lives. Although the implications on organizations and businesses is a pivotal topic, the main call from this review is to request that individuals at all levels within organizations, government, higher education, and the world at large continue identifying ways that we can be more open to those around us. By challenging our own assumptions we can all be stewards of social capital and help to forge new relationships with others to help depolarize our world.

### 4. References

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