

## Chapter 7.2

# Contributions of Social Capital Theory to HRM

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### INTRODUCTION

The philosophic premises of the social capital theory (SCT) number centuries of years. However, the term itself became explicit only in the second half of the 20<sup>th</sup> century. Emerged as a theoretical framework in sociology, it was soon adopted by community studies and management sciences. The concept of social capital (SC) has been criticized for recycling well-known fundamental theories and propounding a common sense truth. At the same time, more and more numerous testimonies stand for its recognition as a persuasive explanatory framework for various human resources

(HR)-related issues. The present article outlines theoretical discussions around the SCT, as well as its quantifiability and contribution to the further improvement of human resources management (HRM).

### BACKGROUND

The first reproach to the SCT concerns the absence of homogeneity in the definition of the principal term, which varies depending on the focus on its nature, mechanisms, or scopes and includes the wide range of phenomena from civic involvement and cooperation to institutional environment and economical networks (Adler & Kwon, 2002;

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Nahapiet & Ghoshal, 1998). Although embracing such complexity may look like a medley of different methodologies and levels of analysis, they all refer to the idea of the investment into social relations (Lin, 2001). This is the principal point of distinction between SC and human capital, which represents the investment in education, training, and healthcare (Becker, 2002). Understanding of the investment into social relations either as family-like ties or as situational flexibility diverges the approaches that define SC in terms of either closure or structural holes.

The first commonly recognized articulation of the SCT belongs to the French sociologist Pierre Bourdieu (1986), who singled out SC along with cultural and symbolic ones. For him, SC represents resources gained from more or less reciprocal and institutionalized ties driven by social structure and socioeconomic conditions (*idem*). The social cohesiveness perspective was further developed by Coleman (1990) and Putnam, Leonardi, and Nanetti (1993), who employed the term “social capital” in the context of community-building processes. Thus, Coleman (1990) stresses the role of family and social organization in the development of the child’s SC. Putnam et al.’s social-capital-as-membership conception identifies individual engagement in civil society as a principal mechanism of the SC development. The shared vision on SC in this approach is such that trust and reciprocity constitute its core, and thus, aligns with the idea of strong ties as a source of SC.

Henceforth, the flow of studies in the fields of democracy building and economic development processes (Bullen & Onyx, 2000; Krishna & Uphoff, 1999; Narayan & Cassidy, 2001; Stone & Hughes, 2002; Stone, Gray, & Hughes, 2003) aims at strengthening the reputation of SC as a full-scale solution for societal and organizational dysfunctions, although, such a picture is quite idealistic. The inquiry of negative manifestations of SC extends the knowledge about its nature and types. Depending on cultural context, high trust in close environment may neighbor with distrust in

state authorities (Schrader, 2004), which results in such forms of SC as Chinese *guanxi* and Russian *blat* (e.g., Michailova & Worm, 2003), corrupted networks customary for the occidental principles of business.

The alternative conception, introduced by Burt (2005), translates SC into a sparse network, which provides connecting opportunities in terms of knowledge exchanges. As such, SC depends on the entrepreneur’s capacity to bridge isolated units of a network and adjust the level of knowledge exchange between them (*idem*). In contrast to the SC-as-closure approach, here the accent is shifted from trust- and community-related issues to the tie’s strength and network configuration. The structural holes’ theory offers a new interpretation of SC in the business context. First of all, the identification of SC with a social network is a great break-through in terms of the assessment of SC effects, which become easily quantifiable. Second, the research in this area gains a longitudinal perspective. Third, diagnosis and prognosis of the SC’s output are no more sophisticated terms, but rather accessible instruments. Thus, weak ties and structural holes are eulogized as the best friends of individual and organizational performance (Bian, 2000; Nahapiet & Ghoshal, 1998), knowledge sharing (Hansen, 1999; McLure & Faraj, 2005), and entrepreneurial success (Seibert, Kraimer, & Linden, 2001; Walker, Kogut, & Shan, 1997).

## **DIMENSIONS AND MEASURES OF SC**

A comprehensive summary of the perspectives examined would present SC as the structure of social connections and the psychological processes making them possible. The attempts to bring together and to envisage the interaction between these two approaches have resulted in imagining more complex models of SC: two-, three-, and even multidimensional, with the distinction between structural, relational, and cognitive scopes as well

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