

## Chapter 12

# Employing Individuals' Social Capital to Create Value in the Public Sector Organisations

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### ABSTRACT

*Social capital provides individuals with access to knowledge. Knowledge Management (KM) research recognises the importance of individuals' social capital in problem solving and innovation. However, while discussing the link between social capital and value creation, the literature seems ambitious in portraying that social capital can create new knowledge and drive innovation in firms. The authors argue that social capital can provide access to knowledgeable individuals but purposeful knowledge collaboration needs to be arranged by knowledge workers according to their specific knowledge needs. In this chapter, the authors discuss how public sector knowledge workers can utilise their social capital to create value for their organisation. The chapter presents a task-based knowledge collaboration model to improve performance and innovation capability of the public sector organisations. The model suggests that public sector organisations should support and encourage cross-organisational knowledge collaboration through informal (personal) networking of employees.*

### 1. BACKGROUND AND INTRODUCTION

The concept of knowledge and the effective management of knowledge resources are increasingly becoming popular in both the private and the public sectors. Although, the public sector is

not generally considered to be as efficient as the private sector, the advancement in information technology has equally increased expectations for seamless service from both the sectors. Many government organisations are rapidly implementing information technology tools; and some are embracing Knowledge Management (KM) to capture, store, and efficiently utilise information and knowledge for better productivity and perfor-

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mance (Asoh, Belardo, & Neilson, 2002; Riege & Lindsay, 2006; Ringel-Bickelmaier & Ringel, 2010). While many public sector organisations are now able to manage information assets more effectively (Ringel-Bickelmaier & Ringel, 2010), in general, they are less efficient in managing their knowledge assets (Stankosky, 2005). Some KM researchers have argued that organisations are struggling to deal with the effective management of employees' tacit knowledge because it is hard to codify and transfer (Choo, 2000; Haldin-Herrgard, 2000; Hinds & Pfeffer, 2003; Holste & Fields, 2010). Besides, many managers fail to understand the true potential of the knowledge pool that is available in the form of social capital of employees (Cross, Nohria, & Parker, 2002; Hansen, Nohria, & Tierney, 1999). The complex nature of knowledge and the emerging clarity of the distinction between information and knowledge require innovative approaches to effectively manage various types of knowledge resources.

Most KM researchers distinguish between explicit and tacit knowledge (Drucker, 1989; Nonaka and Takeuchi 1995; Tuomi, 2000). Explicit knowledge refers to the knowledge that can be easily codified and transferred, such as, consumer demand patterns, performance indicators, and information about current market situation. On the other hand, tacit knowledge are the insights and beliefs of a person that are hard to articulate and transfer, such as, human cognition and skills gained through experience (Balconi, Pozzali, & Viale, 2007; Haldin-Herrgard, 2000; Nonaka, 1995; Zander & Kogut, 1995). Scharmer (2001) and Smedlund (2008) define another type of knowledge called 'potential' knowledge. According to them potential knowledge are bits and pieces of explicit/tacit knowledge gathered from a variety of internal and external knowledge sources (Scharmer, 2001; Smedlund, 2008). The concept of potential knowledge has been derived from the resource based theories that suggest uneven distribution of resources among competitors and other firms (Conner & Prahalad, 1996). Based

on this, knowledge (a valuable resource for competitive success) is believed to be possessed by several individuals; who may be working in different organisations and work contexts. Potential knowledge can be of great value to a firm as organisational members possess redundant knowledge and new ideas that often come from the external environment (i.e. competitors and other firms) (Cummings, 2004; Teigland and Wasko, 2003). Potential knowledge can be acquired through formal and informal means. Formal means are organisational structures, such as, joint training workshops, collaborative R&D, meetings of the trade association members, collective ventures, hiring consultancy, and so on and so forth. Informal means include: communities of practice, networks of practice, virtual professional networks, social and personal networks of employees.

While comparing formal and informal means of knowledge collaboration, some researchers think that informal channels are more efficient ways of knowledge transfer; as they are free from rules, structures, and hierarchies (Allen, et al., 2007; Cross, et al., 2002). Knowledge acquisition through formal channels may require many formalities to complete and therefore it can be time-consuming and expensive. Moreover, it is often difficult to predict what knowledge is required to resolve a particular problem situation. Informal channels allow knowledge workers to freely and quickly collaborate with individuals; who they think possess the required expertise they need to resolve a particular problem situation. Research indicates that knowledge workers personal ties with other knowledge experts help to coordinate expertise for problem solving. There are many studies to indicate that knowledge acquired through informal (personal) contacts between individuals resulted in improved performance and collective innovation (Burt, 2004; Cummings & Cross, 2003; Jason & Powell, 2004; Lin, Hung, & Chen, 2009; Schrader, 1991; Teigland & Wasko, 2003). These studies suggest that informal (personal) networks can provide faster, reliable, and economic access to

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