

Social Capital Knowledge

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INTRODUCTION

Organizations have capabilities for creating and sharing knowledge (intellectual capital) that give them their distinctive advantage over other institutional arrangements, such as markets (Ghoshal & Nahapiet, 1998). But, what is the basis of a firm's knowledge development capabilities? At least in part, the answer is that these capabilities stem from the social capital that an organization possesses as a result of bringing people together for extended periods of time, creating interdependence through specialization and integration, forcing interaction, and providing boundaries and directions. Following the resource-based theory of the firm (Conner & Prahalad, 1996), enterprises that cultivate particular forms of social capital are likely to realize competitive advantages (Ghoshal & Nahapiet, 1998).

This article traces the connections between an organization's social capital and the organization's development of knowledge. Understanding these connections is important for leaders of knowledge management initiatives, particularly if they seek to leverage knowledge production into enhanced competitiveness. We begin with a background discussion of the nature of social capital including its structural, cognitive, and relational dimensions. This is followed by a consideration of intellectual capital (i.e., knowledge that can be used to achieve an organization's purpose) and an explanation of the supportive role of social capital in furnishing conditions necessary for developing this knowledge. We describe a model of knowledge conversion processes whereby intellectual capital is developed within a social capital context known as Ba. Some future trends in socially-based processes of knowing by people and organizations are outlined, followed by concluding remarks.

BACKGROUND

Social capital is 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. Social capital thus comprises both the network and the assets that may be mobilized through that network" (Nahapiet & Ghoshal, 1998, p. 243). All social capital constitutes some aspect of social structure and facilitates the actions of individuals within that structure (Coleman, 1990). Social capital is inherent in relationships among persons and is a productive asset facilitating some forms of social action while inhibiting others. It has three dimensions: (1) structural, (2) relational, and (3) cognitive.

The *structural dimension* of social capital includes three "properties of the social system and of the network of relations as a whole" (Nahapiet & Ghoshal, 1998, p. 244): appropriable organization structure, network ties, and network configuration within a set of relationships. Appropriable organization structure refers to structure created for one purpose which provides a valuable source of resources for another purpose. Network ties are social relations that provide information benefits in the form of access, timing, and referrals. Network configuration refers to the structure of network ties that influence the range of information and the cost in accessing it.

The *cognitive dimension* of social capital includes those resources providing shared representations, interpretations, and systems of meaning among parties (Cicourel, 1973). Examples are shared language and codes, ontologies, and shared narratives.

- **Shared language and codes:** The means by which people discuss and exchange information, ask questions, and conduct business. Language and codes organize sensory data into perceptual categories and provide a frame of reference for observing and interpreting our environment. Language and codes filter our awareness. A common language enhances the capacities for sharing knowledge and for combining knowledge.
- **Ontologies:** Simplified, abstract views of a domain adopted by participants in an organization that characterizes key concepts and offers axioms about them and their relationships (Gruber, 1995). Commitment by participants to an ontology promotes sharing and reuse of knowledge, collabora-

tive exploration of the domain, and development of new knowledge about the domain.

- **Shared narratives:** Myths, stories, and metaphors that provide powerful means in communities for creating, exchanging, and preserving rich sets of meanings (Denning, 2000).

The *relational dimension* of social capital includes the kinds of personal relationships that people have developed with each other through a history of interactions (Granovetter, 1992). This dimension stems from, or is conditioned by, an organization's culture and subcultures. It includes the trust, norms, obligations, and identification within a set of relationships.

Trust is a belief that results of an entity's intended action will be beneficial (or at least not harmful) to our interests (Miztal, 1996). Factors that promote trust include open communication, participation in decision-making, sharing valuable knowledge, and sharing viewpoints and attitudes (Mishra & Morrisey, 1990). Where relationships are high in trust, people are more willing to engage in social exchange, in general, and cooperative interaction, in particular (Nahapiet & Ghoshal, 1998). A norm exists when the socially-defined right to control an action is held not by the actor but by others; norms are expectations that bind (Kramer & Goldman, 1995). Norms may have a significant influence on exchange processes involved in knowledge development, opening up access to parties for the exchange of knowledge and ensuring the motivation to engage in such exchange (Nahapiet & Ghoshal, 1998).

Obligations and expectations refer to commitments or responsibilities to undertake some activity in the future. They differ from norms in that they are developed within the context of a particular relationship (Coleman, 1990). Obligations and expectations are likely to influence both access to parties for exchanging and combining knowledge and the motivation to combine and exchange such knowledge (Nahapiet & Ghoshal, 1998). Identification refers to a self perception of belonging within a social group or network, carrying with it an adherence to its culture and an understanding of characteristics or boundaries of that group that distinguish it from other groups.

INTELLECTUAL CAPITAL CREATION AND SOCIAL CAPITAL

Intellectual capital (IC) has been defined in many ways. Relative to social capital, IC is defined as the knowledge of an organization's participants that results in a competitive advantage for that organization (Stewart, 1991),

or as knowledge and knowing capability belonging to a social collective (Nahapiet & Ghoshal, 1998). Moran and Ghoshal (1996) maintain that all resources, including intellectual capital, are created primarily through the generic processes of combination and exchange of existing resources. (We note that it is unclear whether creation involving discovery, insight, or imagination can be fully described in terms of combination and exchange.) Intellectual capital, then, is developed through processes that combine knowledge and experience of different parties and is therefore dependent on exchange, which implies that knowledge development in an organization is influenced by the organization's social capital.

Because exchange often occurs through social interaction and coactivity permitted by a firm's social capital, firms provide the necessities for creating new intellectual capital through opportunities for the sustained interaction, conversations, and sociability (Nahapiet & Ghoshal, 1998). Thus, a firm can be defined as a "social community specializing in the speed and efficiency in the creation and transfer of knowledge" (Kogut & Zander, 1996, p. 503).

Through their purpose and organizational structure, firms develop social closure and interdependence. Closure is a feature of social relationships that is conducive to the development of high levels of relational and cognitive social capital. Formal organizations such as firms, by definition, imply a measure of closure through the creation of explicit legal, financial, and social boundaries (Kogut & Zander, 1996). Because they promote specialization and integration (i.e., interdependence), firms encourage development of social capital and, hence, intellectual capital as well.

There are four conditions that must exist for the creation of new intellectual capital through exchange to take place: (1) opportunity, (2) expectation of the creation of value, (3) motivation (expectation of realizing and benefiting from some of the newly created value), and (4) capability (Nahapiet & Ghoshal, 1998). The links between the elements and dimensions of social capital and these four conditions are shown in Figure 1. The structural elements of social capital are shown promoting access to participants and anticipation of value. The cognitive elements support access to participants, anticipation of value, and combination capability. The relational dimension elements support access, anticipation of value, and motivation for exchange.

Social Knowledge

In addition to supporting the creation of new intellectual capital through combination and exchange, social relationships become the locus for their own type of intel-

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