

# Chapter 138

## 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

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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

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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, collaborative 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 & Morrissey, 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

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