

# Chapter 6

## Human Resource Management on Social Capital

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### ABSTRACT

*Over the past years, several researchers have analysed the relational dynamics that takes place inside and between organizations (concept, mediating and moderating variables, effects, etc.) considering it as a resource capable of contributing to the orientation and the strategic positioning of the organizations, and, as a last resort, to the support of the competitive advantages. Nevertheless, there are very few studies that include evidence about how the effective management of certain characteristics and properties of the network, such as the work dynamics developed or the interaction in the group may be useful for the operation of the work group itself in firms that develop its activity in high-tech sectors. Thus, the objectives of this paper is to develop a conceptual framework for studying the relationship between Human Resource Activities and Social Capital while underlining the importance that human resource policies play in the management of this variable in a IT environment.*

### INTRODUCTION

During the recent decades, the increasing relevance of intangible assets, where the organizational knowledge and background become the leading resources (Drucker, 1992), reveals that human resources are gaining importance in an environment more and more competitive and changeable as high-tech sector.

Human capital, understood as the set of capabilities, skills and knowledge, bears a huge influence on firms' results (Barney, 1991; Snell et al., 1999; Youndt & Snell, 2004). People are considered as a major strategic factor for the organizations (Becker & Gerhart, 1996).

However, the social changes resulting for some time now in an increasing heterogeneity in the labour markets -groups of diverse people as for

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their age, gender, training level or experience- (Van der Vegt & Janssen, 2003), require us to adopt a different view. It seems that the availability of varied, qualified and trained human resources is not enough anymore (Snell, 1999). Their dissimilar contributions, skills, perspectives and ideas, displaying influence both on workgroups operation and on the organizational performance, must be incorporated. From this point of view, organizations are required to appreciate not only the strategic importance of their human capital, but also the need of integrating and managing the heterogeneous profile of their employees as a source of competitive advantage, which shall allow them to stand against their competitors (Burt, 1992). The organizational success depends now on the network of social interactions where the employees share, combine and transfer knowledge thanks to certain attributes such as trust, identity, sense of belonging and civic awareness (Bontis & Choo, 2001). All in all, social capital is identified as an essential complement of human capital (Coleman, 1988; Burt, 1992). The network of social relationships among employees or organizations, based on trust and cooperation, facilitates communication, interaction and a continuous exchange of information and knowledge, which provides the organization with the opportunity to improve its performance and to obtain sustainable advantage over their competitors.

Therefore, as well as the Theory on human capital, the contributions of the social capital approach are also remarkable (Nahapiet & Ghoshal, 1998; Leana & Van Buren, 1999), since they consider the possibility that the relational ties may be combined with other perspectives in order to analyze the strategic management of human resources. The theories converging through the development of this branch of knowledge offer partial contributions, so that sometimes they may be complementary. Several relevant approaches agree to highlight that an exclusive cumulative human capital policy may not be effective, at least on the long term (Snell, 1999). Certainly,

human capital, understood as the set of skills, knowledge and background is a feature exclusively developed among people (Boxall, 1998; Wright & Snell, 1998). However, we must remark that knowledge and skills achieved from training and professional experience are built and transferred through social relationships *social capital*, particularly through conversation and dialogue (Lesser & Cothrel, 2001).

Considering these ideas, this study approaches the aim of explaining the means available for the organizations in order to manage this wave of communication. In other words, we will analyze the influence displayed by the management of human resources on social capital, by identifying those practices used by the organizations to efficiently manage workgroups operation. With this aim, we will start by reviewing literature on social capital. Particularly, we will analyze the importance gained by social capital as a strategic resource generator of competitive advantage, as well as the main factors affecting the said interpersonal relationships, which often become a “double-edged weapon”: source of competitive advantage, but also of conflicts if it is not properly managed. Considering these arguments, we will complete the model by introducing the management of human resources. We will specifically try to explain the way how the policies and human resources practices may manage the social relationships developed among the members of a certain network, reducing the potential interpersonal troubles and increasing the benefits.

## **SOCIAL CAPITAL**

Lately, social capital construct has aroused the interest of experts on various subject matters as a research line. It is generally believed that benefits may be extracted from the relationships established in the networks of the social structures that a certain person belongs to (e.g., Reagans & Zuckerman, 2001; Schmid, 2003). Given that, according to the

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