SOCIAL CAPITAL IN ORGANIZATIONS – BEYOND STRUCTURE AND METAPHOR

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Abstract

The importance and usefulness of social capital as a concept in the study of organizations have been established by a large body of research. The aim of this paper is to review the concept of social capital in an organizational context, and it identifies five main issues that need to be addressed in future research before social capital can move definitively beyond being merely a metaphor for advantage. First, the unresolved issue of causality is a barrier in the study of social structure and social capital alike, and hampers both measuring scales and implications drawn from empirical research. Secondly, it is necessary to determine whether social capital can or should be measured. Thirdly, the negative aspects of social capital should be explored and integrated into the existing research. Fourthly, the field between social capital of the individual and organizational social capital lacks a consistent, bridging theory. Finally, there is a lack of understanding on how social capital develops over time and the potential benefits of taking a life-cycle view of social capital. In conclusion, the field of social capital in organizations still needs a consistent and coordinated research effort in each of the mentioned areas – separately and concurrently - in order to move beyond structure and metaphor.

Keywords

Social capital, review, social liability, causality, organizations

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1 INTRODUCTION

The professional life of many people has changed significantly in the last decades and life-long employment has almost become a historical concept. The wave of mergers, acquisitions, joint ventures, business failures, and the dot.com crisis have affected the way most people think about their jobs. Parallel to this development, the increased focus on knowledge as the primary resource of companies and the increasing pace of operations in the networked economy have highlighted the importance of a better understanding and use of the forces inherent in the cooperation between individuals and groups. As a consequence, developing and using the theory of social capital appears more important than ever.

It has been posited that the term 'social capital' has been used as a metaphor and a somewhat imprecise concept without theoretical or methodological anchorage (Wellman, 1988; Burt, 2000c). As a concept with an undoubtedly intuitive appeal, social capital is likely to be adopted by scholars from a variety of fields and for a number of different purposes using distinct methodological and theoretical perspectives. While this is not in itself a problem – indeed the field of social network analysis and social capital is a result of cross-fertilization of many disparate fields – it may result in uses and definitions that are not mutually congruent.

Within the field of organizational theory, the concept of social capital has reached a level of interest, and intellectual maturity where it can no longer be dismissed as a fad or a theoretically empty metaphor without consistent explanatory power. It is the objective of this paper to scrutinize the concept of social capital in organizational contexts in order to identify its potential weaknesses and areas that are not sufficiently developed theoretically.

In the following section, this paper will trace the background and importance of social capital in organizations leading to a highlighting of some of the major lacks and inconsistencies in the current body of literature within the field. This leads to the identification of a number of specific elements which need to be addressed before the theory of social capital may be further advanced.

2 SOCIAL CAPITAL: BACKGROUND AND IMPORTANCE

Social capital – as indeed social networks – is not a new phenomenon[1]. The use of the term social capital, however, has only a couple of decades ago surfaced in the academic literature, and was first described systematically by Bourdieu (1980:2), who describes social capital as *"[…] the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition or, in other words, the membership of a group, as a collection of agents who do not only share common properties (either perceived by the observer, others or themselves) but who are also linked by permanent and useful ties*"[2] (Ibid:2).

The explicit mentioning of potential resources is interesting, since it clearly makes the distinction between social capital and the benefits an individual or group might receive from it, a point convincingly developed by Portes (1998). In the second part of the definition, Bourdieu (1980), highlights the importance of some degree of common properties between actors, stressing some degree of objective homogeneity as a condition for the development of social capital and that social capital has a synergetic effect on other types of capital held by individuals.

While the theoretical development of social capital stems primarily from the field of sociology, other fields have adopted the concept: Within the field of political science and development economics (Helliwell & Putnam, 1995; Wood, 1997), the theory of social capital has been readily adopted, with unresolved issues of causality and precise definitions ensuing. For example, there is a disagreement in the research of general healthcare over the usefulness of the concept of social capital (Hendryx et al., 2002; Pearce & Smith, 2003). Criminologists have used social capital as a factor explaining influence on crime levels (Rose & Clear, 1998; Lederman et al., 2002). Given this growing interest in social capital from such diverse fields of research, it is to be expected that some theoretical disparities will develop alongside conceptual confusion (Portes, 1998).

The field of organizational theory offers some of the most interesting development of social capital, as organizations are bounded networks with

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[1] See Gabbay & Leenders (1999:13) and Borgatti (1998) for reviews of earlier uses of the term social capital.

[2] Part of translation (from French) by this author

purposeful interactions between actors and has recently spawned a large body of research. Thus research has been done in the areas of organizational social capital (Gummer, 1998; Nahapiet & Ghoshal, 1998; Burt, 2000c; Bolino et al., 2001) and corporate social capital (Johanson, 2001; McNaughton & Bell, 2001; Gabbay & Leenders, 2002).

One important step towards the development of the theory of social capital was the notion of human capital (Coleman, 1990), treating work and individual workers as a market commodity with a separate value and other properties of traditional types of capital. Once the intangible concept of human capital was acknowledged, there remained to be explained the relative differences in return of different individuals given the same level of human capital (Bourdieu, 1980). This was a major point of departure for the research of social capital.

Furthermore, the social capital has been used to describe not only the benefits of social relationships, but also the norms and cultural values inherent therein. This leads to the widely accepted division of the various aspects of social capital into the *structural dimension* (properties of the social network as a whole), the *relational dimension* (transactional content of what is exchanged in a particular relationship), and the *cognitive dimension* (shared sets of systems for interpretation and mutual understanding dimensions) (Nahapiet & Ghoshal, 1998; Bolino et al., 2001).

Two main characteristics are common for all forms of social capital: (a) they comprise a part of the social structure and (b) they facilitate the actions of individuals in that structure (Coleman, 1988) and can thus be defined as: „*The actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit*" (Nahapiet & Ghoshal, 1998:243).

The idea of presenting social advantage through networks as social capital can be described as stemming from theories of self-interest, where individuals accumulate social capital by investing in relations to other individuals (Monge & Contractor, 2001). To some extent, the theories of social capital developed as an alternative to the classical economical theories of individual optimization and cost-benefit (Coleman, 1988). However, it is still possible to argue that it is the quest for personal benefits that leads individuals to bond with other individuals, form groups, and develop social capital. Hence, Coleman (1990) argues that interactions between individuals only become social capital if it is useful for the individual's self-interests. Thus, actions directed by selflessness, and charity fit in this view of interpersonal exchange.

This theoretical presentation points to the necessity of explicitly stating the premises of the ownership of social capital in organizations.

3 OWNERSHIP OF SOCIAL CAPITAL

Social capital is different from other types of capital in that it is not strictly the property of any individual or entity, since it only exists in interactions between individuals. So at the group and organizational level, social capital is very much a collective property. As a consequence, if a relationship is terminated, the social capital stemming directly or indirectly from that interaction is likely to be lost. This leads to the fundamental question of whether social capital resides in actors or in the relations between them.

It is the implicit assumption of most literature that social capital is *not* the property of actors, but exists in the social relations of the actor. However, this is not particular to social capital. The value of financial capital can change due to external factors such as inflation, devaluation, or market fluctuations. Human capital will always be valued relative to the context in which the individual is placed – and like financial capital, it can become obsolete due to the depreciation and changes caused by new developments in the environment outside the control of the individuals. While it is true that social capital exists because of the connections between actors and not within the actors themselves, the benefits of social capital will be of benefit to the actors – and possibly the collection of actors in groups or whole organizations.

Thus, even if social capital is not strictly the property of the individual actor, it is necessary to measure the value of the social capital for each individual. It can be argued that social relations only turn into capital, when it is valued by an individual. This will explain the asymmetries in the importance placed in and benefits gained for two actors in a relationship (Portes, 2000). To state the obvious: A relation between two actors is not an entity in itself and therefore it cannot benefit from the social capital.

To some extent, this issue is based on the two main approaches to social networks: the *egocentric* and the *sociocentric* (Lesser, 2000a): The *egocentric* view of social networks has the relations of a focal actor as unit of analysis and primary interest, best exemplified with the seminal theory of 'the strength of weak ties' introduced by Granovetter (1973). With this approach it is easier to make the theoretical bridge from social capital to the benefits of the social capital of individuals.

On the other hand, the *sociocentric* approach deals with the overall structure of a network, and therefore places greater importance on the position of an actor in a network, than merely the relations of the focal actor. This is the main idea behind the concept of structural holes, introduced by Burt (1992). In taking this view of networks, it is more straightforward to associate social capital with the network structure and treat social capital as not only embedded in the individual relations between actors but also as a result of the aggregation of relations and the interplay between those relations. Thus the ties of ego are not as important in themselves as the ties of alters and the structural holes, given the transitive properties of the network (Burt, 2000c). However, neither approach significantly adds to the understanding of ownership of social capital, since most research in the sociocentric tradition deals with the advantages gained by individual given their position in the network structures.

Adler & Kwon (2000:91-92) present an exhaustive list of different definitions of social capital, using a somewhat similar distinction of egocentric and sociocentric, but focusing on the difference of the internal, i.e. the social capital embedded in a social system, or external, i.e. social capital stemming from the direct and indirect relations of an actor. They argue that it is important to include both the internal and external focus of social capital when dealing with an organization, which in this context is an actor in itself, as well as a collection of individuals and subgroups. They offer the following definition: "*Social capital is a resource for individual and collective actors created by the configuration and content of the network of their more or less durable social relations*" (Ibid:93). This definition somehow sidesteps the issue of ownership of the social capital, placing a larger focus on the individual gains derived from the access to social capital.

It is therefore important to make the following distinction: Social capital is not the property of actors, while the derived benefits of social capital can be either to the single actor or to a group of actors. In other words: "… social capital is a metaphor for advantage" (Burt, 2000c:346-347). This calls for further analysis of the interaction between social capital at the individual and organizational level.

4 SOCIAL CAPITAL IN ORGANIZATIONS

The formal relations between individuals dictated by the organization create interpersonal relations which are likely to lead to social capital. Thus, formal institutions may have direct or indirect effects on social capital (Adler & Kwon, 2000).

The levels of analysis can be subdivided into a wide number of levels between the individual and the organization (teams, groups, divisions, etc.) (Labianca et al., 1998). The same mechanisms are at play, however, and only the individual and organizational levels are dealt with in this paper.

At the individual level, actors who know the social structures can reap the greatest benefits of the network (Krackhardt, 1990; Johnson & Orbach, 2002). However, it is not clear to what extent they can alter the structure (Krackhardt, 1987; Lin, 2001). In more recent literature, however, the term *social capital management* has been introduced, which perceives social capital as an asset that can be actively and consciously accumulated and used by individuals (Gabbay & Leenders, 2001). In this interesting avenue of research, the idea of *corporate social capital* is presented as: "*The set of resources, tangible or virtual, that accrue to a corporate player through the player's social relationships, facilitating the attainment of goals*" (Ibid:8). In stressing the importance of being stringent about the level of analysis in discussing social capital, the effects of interactions between structure and social capital at the individual and organizational levels are separated and analyzed in the following.

At the organizational level, Nahapiet & Ghoshal (1998) argue that social capital is not only a critical resource, but the only factor which can provide decisive and lasting organizational advantages, a point further developed by Bolino et al. (2002). Therefore it is clear that organizations need to be conscious of their social capital, and of the factors necessary to create and nurture it. Since organizations have various degrees of institutionalized culture, norms and values, the cohesiveness necessary for the development of social capital is already present. Since many interpersonal relations are created and developed because of mutual liking and/or homogeneity between individuals (Lazarsfeld & Merton, 1954; Ibarra, 1992; McPherson et al., 2001), social networks will occur in organizations, giving rise to social capital.

What is lacking in this analysis is the interaction between the social capital of the individual and the collective social capital of the organization and vice versa, leading to some of the most important gaps in the current theory of social capital in organizations.

5 CAUSALITY

Another unresolved issue is part of an ongoing argument about *structure as an outcome* and *structure as a cause* (Gabbay & Leenders, 2002), which stems from the thorny issue of causality in the study of social networks.

An important question to address is whether social capital is a goal in itself or a means to reach a goal. By using the term capital, it is implicit that it is to be used as a mean to reach some salient goal, just as other types of capital (Lesser, 2000a). Some of the positive aspects of social structures such as the developments of trust and norms from closure in the friendship networks are almost ends in themselves. At the same time, it has been noted that the social capital for the most part is created in processes and activities, which are engaged in for other reasons (Coleman, 1988; 1990). These two aspects should lead to an overall discussion of how consciously the social networks are formed, and how this might influence the benefits and consequences of the social capital.

Many of the factors that are necessary for the creation and development of social capital are also derived by social capital: Trust, homophily, norms, etc. are some of the essential factors for the successful creation of social capital as well as some of the most important benefits thereof (Lesser, 2000b; Cohen & Prusak, 2001). This leads to the unresolved issue of causality, and the circularity that "*social capital is both a cause and effect*" (Portes, 1998:60), an issue pointed out by other scholars (Coleman, 1990; Adler & Kwon, 2000; Bolino et al., 2002; Gabbay & Leenders, 2002). Putnam (1995) acknowledges this problematic issue of causality but does not deal specifically with it. The issue of causality affects the strength-of-positions proposition (Lin, 2001) too, since it has been shown repeatedly that people who use their social capital will out-perform and out-career their peers (Burt, 2000c). However, in a snapshot of an organization, high ranking managers might have had an ability to acquire social capital because of their positions.

In the study of intergroup conflict in organizations, Labianca et al. (1998) deal explicitly with the problem of causality in the interaction between the perception and actual interpersonal interaction, concluding that only experimental studies can solve the problem of causality. This issue of causality will continue to plague the concept of social capital, potentially undermining its usefulness as a theoretical framework.

6 THE DOWNSIDE OF SOCIAL CAPITAL

In much of the literature there is an implicit assumption that the worst property of a social network is the lack of a relationship between actors or some general property of the network such as high density or fragile network structures (Krackhardt & Hanson, 1993). However, even worse than no relationship between actors are negative relationships as proposed by several recent theoretical papers, exploring *intergroup conflict* (Labianca et al., 1998), *black holes* (Hedaa, 1999), *dark side of social capital* (Gargiulo & Benassi, 1999), *social undermining (Duffy et al., 2002)* and *social liability* (Brass & Labianca, 1999; Gabbay & Leenders, 2002). Thus it is important to study the effects of negative social capital – either locally between a number of actors or groups or at the organizational level.

Studies have shown that organizations tend to develop dysfunctional social structures when no attention is paid to them (Krackhardt & Stern, 1988). Homophilous intra-group networks will develop at the expense of intergroup networks, and in a situation with crisis or uncertainty, this tendency will become even stronger (Galaskiewicz & Shatin, 1981). In a study of intergroup conflict, it was found that intra-group friendship networks were carriers of negative information about out-groups (Labianca et al., 1998). However, the concept of social capital has generally been treated exclusively as a benefit of individuals, groups, organizations and regions, but there is little attention to the negative aspects of social capital and the effect of negative social relations, with some notable exceptions: Brass and Labianca (1999) coined the terms *social ledger* which encompasses both *social capital* and *social liability* in order to capture the metaphor of disadvantage of a particular network structure for any specific purpose. In making this distinction, two issues are highlighted: First, social structure is separated from social capital in the form of asset and liability, and secondly, it is highlighted that a specific network structure can be advantageous in one respect and disadvantageous in another which has been proven empirically (Talmud, 1999; Hansen et al., 2001). Thus network structure determines the degree of social capital, which then has positive or negative consequences (assets or liabilities) in a given situation, which again might influence the behavior of actors.

While the introduction of this term *social ledger* is an important contribution in the research into the negative consequences of social structures, it has not yet been fully acknowledged or accepted by all scholars, and so far the term has not spread outside the field of organizational social capital. As a continuation of the discussion of social capital and social liabilities, social ledgers, social capital management (Gabbay & Leenders, 2002; Labianca & Brass, Forthcoming), one could argue for the development of *social accounting*; actively and systematically measuring and influencing levels of social capital and liabilities for individuals, groups, project teams, departments, and organizations to the extend it is possible to do so.

One common picture of social capital, which is often described as the synergy of individuals' human capital, is the expression: "2 + 2 = 5". The basic and intuitive message is that the cooperation between individuals leads to a greater benefit than the sum of the output of the individuals taken separately. In so far as the '1' is a measure of realized potential, there is no problem. However, in the case of the study performed on the influence of social capital on economic growth in Italy (Helliwell & Putnam, 1995), it is concluded, that the different levels of social capital in the Italian regions had an important and significant positive impact on factors such as income level. Thus far, the study enforces the positive aspects of social capital, but what is not dealt with explicitly in the paper, is whether the high social capital in one region causes a somewhat negative effect in the other. In other words: Does social capital have negative externalities? Does the '1' in the above equation come from other regions? In the case of investments and allocation of resources from either the central government or from abroad, this is certainly the case. As presented by Bonacich (1987): "In a power hierarchy, one's power is a positive function of the powers of those one has power over" (ibid. :1171).

The time perspectives in social networks are especially interesting in this context. It is likely that differences in social capital in separate but related individuals, groups, organizations or regions will be beneficial to one part at the expense of the other, since the total amount of resources will be relatively constant in the short run. However, in the longer run, one might expect that a spill-over effect might let those benefits spread from one to the other. This time lag might be heavily influenced by the nature of the set of relations.

There is no doubt about the direct and indirect benefits of social capital both for the individual and the organization, and it is crucial for the understanding of social capital to highlight and take into account the potential not-so-positive and negative aspects. In the comprehensive literature review, Labianca & Brass (Forthcoming) present strong arguments that negative relations on the job and subsequent social liabilities have a greater impact than positive relations.

At the individual level, where the work and value creation is so reliant on information and cooperation between individuals and groups, there is a high risk of creating black holes in the network (Hedaa, 1999). Situations might easily arise in which the social structures are useless at best or even detrimental to the performance of the individual (Coleman, 1990).

It is a truism that knowledge is power and in the changing environment and growing importance of knowledge intensive organizations, this may seem truer than ever. Following this line of reasoning there is an intuitive appeal in the importance of networks and social capital in its information gathering nature. However there is an obvious pitfall: In interpersonal social relations, some degree of reciprocity is likely to be inherent in the relation, and therefore information will also flow from ego. And if information is power, then sharing information with others should intuitively diminish the power of ego. This duality of the network content of relations is particularly important to consider in the perspective of the role of weak and strong ties. Ahuja (2000) concludes that at the offset, there seems to be a trade-off between information and power, since dense networks build trust and therefore power, but weak, low-density networks give a greater access to information, especially where there are structural holes (Granovetter, 1973; Burt, 1992).

An intuitive approach might suggest that ego's connection to an actor with several connections would provide access to power through the well connected actor's network, i.e. tapping into the social capital of that actor, giving more power to a less connected actor. However, since the first actor is so well connected, the single relation to ego is likely to be less important that if the relation had been to a less connected individual. This leads to a paradox of diminishing returns effect when connecting to powerful individuals within a network: The more powerful the ego is, the lower the relative benefit of connecting to alters within an organization.

At the organizational level, where the potential benefits and liabilities at the individual level are aggregated, some problems are accumulated and become even worse, while some problematic issues at the individual level tend to outweigh each other. Therefore, management still has to be very careful about this issue, since the withholding of important information by individuals in the organization could seriously impede knowledge sharing. This problem is relevant both in connection with individuals and between groups in organizations.

The most critical issue is to what degree the social capital of an organization is a measure of the aggregate of the social capital of each individual in the organization. This is related to the issue of whether the goals of individuals are in line with the goals of the organization, and when the multidimensional perspectives of social capital are taken into account, this becomes a rather complex issue.

At the group level, individuals might develop group cohesion with a high level of social capital which benefit the group and its individuals in the short run, but which is not necessarily beneficial or even detrimental to the organization as a whole. Between-groups rivalry or even conflicts might develop into black holes in the organization which in turn may have a serious impact on the achieving of goals in the organization. Within such a strongly cohesive group, problems of group think, overembeddedness of individuals, lack of innovation, development of subcultures, and the ‘not invented here’ syndrome can possibly hinder the effectiveness of the group and its individuals (Turner & Pratkanis, 1998; Adler & Kwon, 2000). In a network perspective there is the problem of isolates, and the very creation of strong, cohesive subgroups will automatically entail the exclusion of others. Bearing in mind the strong homophily effects in creating networks, the logical consequences will often be that people who are different in some regards are excluded from the community, possibly barring the group from important cooperation benefits. Being an isolate in a network is in itself a differentiating factor, thus creating a negative loop.

Thus, benefits reaped through social capital by one individual or group will often come at the expense of another individual or group. Therefore, even the advantages gained from one actor in an organization might have opportunity cost or negative externalities as the resources are in fact taken from another actor within the same organization, which leaves the organization as a whole no better off (Moerbeek & Need, 2003). Therefore there might be significant benefits gained from characterizing social capital using different dimensions.

An organization can gain valuable and even crucial knowledge and perform innovation through relations outside the organization (Allen & Cohen, 1969). Most often than not, these relations will be interpersonal relations between individuals in the organization and individuals in other organizations. This can happen at conferences, trade shows, and professional gatherings. But just as the relations outside of the organizations might be great sources of innovation, it might also be a critical issue of leaks of information to competitors.

These places are also heralded as great opportunities for hiring new employees, but at the same time, the interpersonal networks between organizations will very likely be the primary element catalyst for loosing employees, who find better jobs through the same contacts and networks with individuals in other organizations.

However, little is usually written about the flip side of the coin. The extra-organizational relations might have the effect of leaking information to competitors, and actively be recruitment opportunities for the members of your organization to others.

7 OPTIMAL LEVEL OF SOCIAL CAPITAL

Drawing on the parallels of social and human capital, it is possible to ask if there is such a phenomenon as too much of a good thing. In describing human capital, there is the theoretical and practical issue of over-education of individuals. Therefore it is relevant to ask whether social capital is necessarily an asset of which it is not possible to have too much. This is a question of definition, since some definitions have already taken into account the effects of problematic relations and the possible pitfalls of a large network. In other words: Can an individual be over-connected? Or over-socialized? Can an organization have too much social capital?

Studies have shown that individuals make better choices the more information they get, up to a certain level. From then on, more information will be either redundant or contradictory, which might lead to either overconfidence in the decision or uncertainty (Baker, 1994).

Another issue, which has not yet been fully developed, is the question of who benefits the most from social capital stemming from social relations in organizations. It is not clear who benefits the most from social capital for personal gain. However it seems that diversity (heterogeneity) in social networks is just as important as the hierarchical status of the alters, and higher placed individual have less use of heterogeneous ties (Lin, 2001). Furthermore, there seems to be some indication that social networks seem to be used more by traditionally disadvantaged actors than actors with a strong position in an organization, since they can rely on the strength of their position and personal properties embedded in their human capital (Lin, 2001). This leads to the apparent paradox that weak actors have a greater use of social capital than strong actors.

Even if assumed that social capital should always be maximized, some important issues persist. Social capital, like human capital, depreciates over time and thus needs a constant investment of time and/or resources to remain constant or to develop. This is true both at the individual level and at the aggregated organizational level. In keeping with the terminology of capital in the broad sense, there will thus be a cost-benefit perspective to consider when investing in social capital. At the very direct level, there is a very manifest trade-off between working and networking. This will often be a trade-off between short-term and long-term rewards for both the individual and the organization.

A very basic issue in this context is the limit to how many relationships it is possible to maintain. At some point the added benefit of each additional contact is expected to be decreasing, due to the superficiality and degree of redundancy with the existing relations (Lin, 2001). Added to this attribute is the possibility that an individual who spends a lot of time and resources networking might be perceived negatively by colleagues due to the somewhat suspicious and illegitimate nature of extensive networking, especially in situations where the networking entails personal benefits for one individual, possibly at the expense of others.

At both extremes, it is possible to imagine two very different organizations: In one organization the human capital of the individuals is very high, but there is no cooperation. In the other, there is a high degree of cooperation, but there is a very low level of human capital in the individuals. Which will work better? This of course cannot be answered on this background, but it is clear that a certain mix of the two factors is the most beneficial.

This adds a new dimension to the discussion of the benefits of strong and weak ties. Weak ties are typically lower maintenance, and information will therefore be less costly to obtain through weak ties than through strong ties (Adler & Kwon, 2000; Ahuja, 2000). However, the importance of contingency effects in determining the impact of different combinations of weak and strong connections in a network has been pointed out. The structural holes theory proposed by Burt (1992), however, gives the best theoretical foundation for this discussion. The vast research on the usefulness of non-redundant, bridge spanning and entrepreneurial networks (Burt, 2000c), shows the importance of consciously positioning oneself in the organizational network in order to maximize ones social capital.

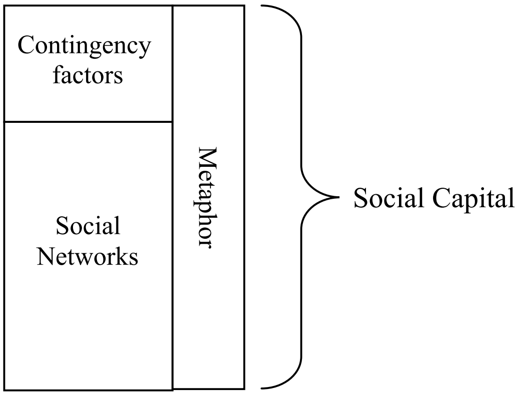
8 QUESTIONS REMAIN

Given the theoretical framework, several holes and inconsistencies appear, leading to a number of unanswered questions about social capital in organizations.

Can or should social capital be measured?

As convincingly argued by Burt (2000c), the concept of social capital is intrinsically tied to a stringent use of the methodological and theoretical foundations of social network analysis. The plethora of measures of structural compositions and locations of individuals in networks can be combined to create measures of social capital, which can then be used to explain advantages of individuals in organizations. What remains to be shown is whether social capital is more than just a term encompassing a collection or combination of social network measures with the mediation of contingency factors. And if so – is the rest just metaphor, as presented in Figure 1?

Figure 1. Social capital



Han & Breiger (1999) are among the first to tackle the issue of measurability of social capital, and the benefits of social capital for the individual and for the organization are measured in several ways, e.g. as early promotion, higher salary, more power, competitive advantage. Thus it is possible to make the causal relation directly from the properties of social networks to the benefits of social networks, in recent research coupled with some aspects of contingencies (Hansen et al., 2001; Harrington, 2001). However this short-circuits the issue of measuring social capital, and leaves unanswered if the concept of social capital is more than a social network analysis toolbox and contingency factors in a metaphorical context.

Finally it could be argued that there is no theoretical or practical value in determining some quantifiable measure of social capital, since the real importance of social capital is often in its derived value for the individual or the organization; not a goal in itself. Some popular literature on social capital (Baker, 2000) advocates a general, qualitative assessment of individuals' social capital balancing research concepts like diversity, structural holes, closure, network content, etc.

Is social capital a unidimensional construct?

Whether social capital is merely a transitional step or a measurable concept in its own right, another unsolved issue remains. Echoing the claim that social capital theory is intrinsically linked with social network theory and should indeed be, some consequences logically ensue. It is beneficial for individuals to have both personal and work-related ties within an organization since both have distinct benefits, and it is likely that they supplement and provide leverage for each other. Therefore it is not a question of which network property – mainly closure or structural holes – is the most likely to provide social capital, but how they contribute to different aspects of social capital. The importance of closure in social networks is not ignored, as "brokerage across structural holes seems to be the source of added value, closure can be critical to realizing the value buried in the structural holes" (Burt, 2000c:398).

Accepting that there are different aspects of social capital, however, is to accept that it is comprised of different dimensions. Since there is already a broad agreement that two main types of social benefits accrue from networks, a loss of information will occur if social capital is treated as a unidimensional concept – either as an asset or a liability.

Will the same level (or composition) of social capital be optimal for all actors?

There is a significant lack of research in the interaction of human and social capital – both at the personal and organizational level. If social capital is a proxy for the rate of return on human capital, it is unlikely that individuals would require the same social capital, given their differences in human capital, needs, ambitions, and other personal properties. This issue has been approached using the idea of contingency factors, which are described as the rate of return of social capital (Burt, 2000c; Hansen et al., 2001; Harrington, 2001; Gabbay & Leenders, 2002). However, it seems to raise more questions than it solves in that it only highlights the plethora of differences that faces individuals in a work settings, which are likely to require very different social capital.

In other words, there is a need for theoretical initiatives to develop social capital as more than an immeasurable, unidimensional concept relating to some degree of advantage for individuals or organizations. In keeping with the idea that social capital is mainly the result of the structural properties of the social network, there seems to be an implicit assumption of one-network-fits-all. Whereas the idea of some theoretically optimal network structure for an organization exists, it is difficult to imagine that individuals are likely to seek, prefer or benefit the most from the same network structure.

Is it meaningful to discuss negative externalities in the creation of social capital of an actor within an organization?

As defined by Burt (1992:356): "the hole argument is about advantages that go to people who build bridges across cohesive groups". Thus, the benefit for the individual of bridging structural holes is dependent on others in the organization <u>not</u> bridging them, forming cohesive groups. In other words: Is the social capital of one individual attained at the expense of another? Or is there a social network hierarchy necessitating that some actors sacrifice some immediate gain in social capital for the benefit of the social capital star, whose social capital reflects on the water carriers?

If the answer to the above problem of individual preferences is that individual actors do indeed have different needs and ideal social network structures, some of the possible negative externalities would be partially outweighed by these natural choices by individuals. However, it is unlikely that this will generally be the case, especially given the assumption that all actors strive for the same network structures in order to gain social capital and the derived benefits thereof. This leads to the next question:

Is the optimal social network structure of an organization the collection of optimal networks of each individual?

Bearing in mind the costs in creating social capital, it is necessary to be aware that somewhere between negative ties and positive ties are the ties that are neutral or somewhat positive, but not sufficiently positive to offset the cost of maintaining them. The cost of maintaining these relations might not solely be borne by the actor (or dyad). If for example the time spent maintaining the tie (creating social capital for the actor or dyad) is deducted from time spent accomplishing organizational goals[3].

Thus there is a classical mathematical problem, in that it is easier to find the optimal level for one individual that the optimal situation for multiple actors – let alone a whole system (Bonacich, 1990). It is assumed in much of the literature that social capital has additive properties and that the organizational level of social capital is some aggregation of the social capital present in the network between the individuals in the organization. Allowing for the concept of negative social capital, there is still the unsolved problem of the interaction between individual and organizational social capital.

With the above question of negative externalities of individual social capital unanswered, this question is rendered extremely complex. Assuming that the goals of individuals are generally in tune with the goals of the organizations, it is still likely that the individual search for maximization of social capital will create sub-optimal maximization social capital for the organization as a whole. If nothing else because of the cost in time and resources used in creating and maintaining social relations. Conversely, a conscious corporate social network management with the aim of actively molding the social networks of the organization to create social capital is likely to be disadvantageous for actors who previously

[3] While it is acknowledged that social capital might entail a number of derived benefits such as well-being which cannot directly be measured for either the individual or the organization, these are considerend to be included in the theoretical calculation.

reaped the greatest rewards of their entrepreneurial networks, while possibly benefiting actors who previously had less social capital.

Specifically the actor bridging a structural hole (tertius gaudens) stands to loose the social capital from that structural opportunity if the two actors who were previously connected only through the focal actor made a direct relationship.

Is there a life cycle of social capital?

Is there such a thing as social network entrepreneurs, early adopters, main stream, late-comers in terms of social networks and social capital? Using the term network entrepreneur is a clear indication of both the costs and the benefits of being first to see and exploit an opportunity in a social network context (Burt, 2000b). The argument is that for each structural hole, the marginal cost and subsequent benefit for each actor to bridge the hole is decreased (Hansen, 1999).

Social networks are sometimes called emergent networks in consideration of their changing properties (Monge & Eisenberg, 1987; Heald et al., 1998), and treating social capital as an asset sought by individuals, the concept of social networks as a constantly changing series of disequilibria emerge, as proposed by Burt (2000a). In these ever-changing social structures, new possibilities for creating new social capital for individuals will emerge, while inversely severing relations and breaking up structures effectively reducing social capital. This would lead to actors constantly seeking to maximize their social capital given the changing opportunities, never reaching equilibrium and thus it might be interesting to identify social capital as it is created, developed, explored and disappears in specific organizational contexts.

Acknowledging the fleeting nature of social capital, identifying the ability to see entrepreneurial opportunities in social networks – a property of human capital – is more important than the current social capital. Thus it can be argued that while social capital is definitely important for individuals, the ability to maintain and generate social capital in the future is even more crucial.

9 CONCLUSION

While the importance of social capital as a useful concept in organizational sociology cannot be challenged, this paper identifies some crucial issues need to be addressed in further research in social capital.

First, it is important not to disavow the causality surrounding social capital and to acknowledge the mutual influence between elements like trust and social capital which are closely related but in no straight forward or univocal manner[4]. The importance in this clarification lies in the potential pitfalls in both the creation of measuring scales and the implications drawn from empirical results. This would enable social capital to develop into more than just a metaphor between social structure and derived benefits.

Secondly, if social capital is to be an entity in its own right, it should be determined how to measure social capital. Some researchers have developed tentative proxy measures of social capital building on some combination of relations, structure and network properties. However, there does not seem to be a general agreement about whether social capital could or indeed should be measured.

Thirdly, the usefulness of the term social capital is dependent on the exploration of the negative sides of social networks. Using the term *social ledger* is a useful and potentially fruitful avenue for further exploration. Bearing in mind that collecting network data is often a difficult task, the research in negative social relations is likely to be a daunting empirical task. If friendship relations in a workplace setting are still seen as somewhat illegitimate, negative relations – while possibly more important for the workings of the organization – are probably surrounded with a great amount of taboo.

Fourthly, there is still a lot to be explored in the field between social capital of the individual and organizational social capital. Determining the ownership of social capital is no straight-forward task, and the theory of organizational or corporate social capital has not yet provided a clear and meaningful measure. Building on the aforementioned bias towards exclusively studying positive aspects of social structure, there is no previous research clearly dwelling on the issue of the optimal level or composition of social capital of individuals and of organizations, taking into account the possible negative externalities in one individual's social relations.

Finally, as a theoretical extension of the research of the causality of social capital, there is a lack of understanding of how social capital develops over time and whether there is a gain in taking a life-cycle view of social capital.

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[4] Several authors within the field of socio-economics have tended to more or less equate 'social capital' with 'trust' in the framework of nations and regions. See for example (Fukuyama, 1995; Pollitt, 2002).

While the field of social networks has spawned a number of longitudinal studies at the interpersonal level, e.g. (Morgan et al., 1997; Suitor et al., 1997; Ahuja, 2000), this development does not seem to have spilled into the theories of social capital.

In conclusion, the field of social capital in organizations still needs a consistent and coordinated research effort in each of the mentioned areas – separately and concurrently – in order to move beyond structure and metaphor.

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