Chapter 1.29
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 net-
work” (Nahapiet & Ghoshal, 1998, p. 243). All
social capital constitutes some aspect of social
structure and facilitates the actions of individu-
als 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 in-
cludes 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 configura-
tion within a set of relationships. Appropriate
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 repres-
sentations, interpretations, and systems of mean-
ing 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 or-
ganization that characterizes key concepts
  and offers axioms about them and their
  relationships (Gruber, 1995). Commitment
  by participants to an ontology promotes shar-
ing 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 & 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 com-
mittments 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). Obliga-
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