Think Social Capital Before You Think Knowledge Transfer

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ABSTRACT

Knowledge transfer has been promoted as a critical and necessary condition in order for organizations to sustain competitive advantage. In this article, we argue that successful transfer of knowledge within organizations will depend on the accumulated social capital embedded within organizational social networks. We pose social capital as a critical factor for knowledge transfer and hypothesize that the structural, relational, and cognitive dimensions of social capital must be developed within an organization in order for knowledge transfer to impact organizational performance. The study uses data collected from Egypt to test the model. Hofstede’s Cultural Dimensions Model is used to explain how cultural attributes limit the accumulation of social capital and the effectiveness of knowledge transfer in developing countries.

Keywords: developing nations; Egypt; knowledge management; knowledge transfer; social capital; social networks

INTRODUCTION

For the last decade, Knowledge Management (KM) (Davenport & Prusak, 1998) has been positioned as a business strategy that advances knowledge as a critical resource and the capacity to integrate pieces of it across the organization as a distinguishing feature for success within the market (Grant, 1996). The strategy promotes the transfer of knowledge within organizations (Alavi & Leidner, 2001, Holsapple & Joshi, 2002), and focuses on the capture, articulation, and dissemination of knowledge in an effort to build dynamic capabilities and to respond quickly to environmental changes (Teece, Pisano & Shuen, 1997).

Research on knowledge transfer within and across organizations have focused on various factors, including individual attitudes toward knowledge sharing (Wasko & Faraj, 2005), knowledge processes (Markus et al., 2002), and technology (Alavi & Leidner, 2001) as means to enhance organizational capabilities in order to manage knowledge and to replicate successes across the organization. Despite relentless efforts to systematically define processes and market technology solutions, recent studies have pointed out that 70% of organizations implementing an organization-wide strategy for knowledge transfer fails to realize improvement in performance or to develop core competen-
cies (Malhotra, 2005). Among the critical factors highlighted (Holsapple & Joshi, 2002; Massey, Montoya-Weiss & O’Driscoll, 2002) are (1) failure to emphasize knowledge transfer as a business objective; (2) failure to embed knowledge transfer in daily processes; (3) failure to implement technology that facilitates the transfer of knowledge; and (4) failure to foster a knowledge-sharing culture.

In this study, we focus on social capital as another critical factor for the success of knowledge transfer. Social capital is defined as the resources inlaid in social networks that contribute to career success (Seibert, Kraimer & Liden, 2001) and the development of intellectual capital (Nahapiet & Ghoshal, 1998). It includes the social relationships and the resources available through these relationships (Portes, 1998). Recent studies have empirically associated social capital with the transfer of knowledge (Tsai & Ghoshal, 1998; Inkpen & Tsang, 2005), focusing on the role of social relationships in facilitating the transfer of knowledge within and across organizations. The study is encouraged by the proposition that knowledge sharing develops better in social networks than within hierarchical organizational structures (Palmer & Richards, 1999). While it is not the role of corporations to deliver social services, their abilities to enhance social capital by partnering with individual members can contribute both to development and to work to their own commercial advantage.

There has been movement within developing countries to adopt knowledge management programs in order to facilitate knowledge transfer. However, the focus largely has been on the use of Communication Technologies (CT) without the realization that CT’s use depends, to a large extent, on the network structure (Ahuja, Galleta & Carley, 2003) and to the accumulated social capital to which individuals have access (Powell, Koput & Smith-Doer, 1996). It is true that CT is capable of connecting people across space, time, and organizational boundaries. However, individual ties connected solely through CT likely are to be weak (Gargiulo & Benassi, 2000). Strong social ties, trust, and cooperation (Coleman, 1988; Walker, Kogut & Shan, 1997) are critical in order for CT to facilitate knowledge transfer.

In this article, we argue that communities that are low in social capital will have limited capacity to transfer knowledge. A lack of connections, trust, and shared understanding will limit the accessibility to pools of knowledge and will throttle knowledge transfer. Building upon social capital (Coleman, 1988; Nahapiet & Ghoshal, 1998) and network structure (Burt, 1992; Putnam, 1995), we developed our conceptual model (see Figure 1). We validated our model using qualitative data collected from 13 organizations in Egypt. Hofstede’s (1980) cultural dimensions model is used to analyze the data and to highlight the importance of social capital in moving toward a sustainable knowledge-sharing organizational culture.

The article is structured as follows: the conceptual model is developed in section 2; section 3 details the research methodology; and empirical results and their implications are discussed in section 4. The article concludes with a summary and implications for future research.

**Conceptual Model**

Prior research pointed out that some organizations appear to have the capability to effectively transfer knowledge better than other organizations. The underlying mechanisms that create this capability focus on formulating strategies that highlight the importance of knowledge transfer, embedding knowledge transfer within daily business processes and adopting technologies that facilitate knowledge sharing. This article proposes social capital as the underlying mechanism for transferring knowledge. We argue that the dimensions of social capital develop the right infrastructure on top of which initiatives to transfer knowledge across an organization can be capitalized and leveraged. The main thesis we develop is that social capital allows for relationships and exchanges to occur; both have been identified as preconditions for successful knowledge transfer (Davenport & Prusak, 1998). In order to explore this proposition, we examined how each of the three di-
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