Chapter 12

Social Capital:
Definition, Dimensions and Measurement

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ABSTRACT

The competitive dynamics of a firm take place through the interaction with different agents inside as well as outside of its organizational limits. Firms have elements of social character that are visible through the interactions between individuals, groups and organizations at different levels. The social capital would allow a firm to connect diverse agents to obtain and exchange resources and transfer knowledge. For this reason, the purpose of this chapter is to focus on finding an adequate definition for social capital and in the identification of the forms that the research proposed to make this topic operative: networks and relations.

INTRODUCTION

According to the academics and the business world, the importance of the intangible elements as creators of value in the firm is becoming the center of attention in the last years. All the contributions made emphasize the need to value and quantify the intangible resources since they are the “result of the integration of knowledge to the different productive activities of the firm” (Bueno, 1998, p. 215) and given that they are not reflected in the accounts. Within this topic are included diverse aspects such as the knowledge of the environment, the market reputation, the experience and knowledge acquired inside as well as outside of the organization, the innovation and technological diffusion in the firm and the firm’s relations with customers, suppliers and other agents (social and economic).

Various elements mentioned above (ways of knowledge transmission in the firm, relations with agents, etc.) have a common component: they all belong to the social capital of the firm. This explanation is based on the fact that inside the firm, the social capital does not include a unique dimension rather it can be included within the three dimensions in which the intellectual capital was divided:
human capital, structural capital and relational capital (CIC, 2003).

Therefore, the concept of social capital has acquired an important relevance in a wide range of disciplines. An increasing number of sociologists, political scientists, economists and theoreticians of the firm have used the concept to look for answers to multiple questions within their respective fields of investigation (Adler & Kwon, 2002). In this sense, an increasing interest exists among academics in trying to explain how the social context, in which the firm is immersed, significantly influences its behavior and results (Gulati, Nohria & Zaheer, 2000). Any organization possesses elements of social character, visible through the interactions between its individuals and groups, changing the social capital into an observable phenomenon at different levels. For that reason, and if we examine a firm’s potential for development, we should analyze the interaction between the different agents (internal and external) that compose it.

Social capital allows a firm to connect diverse groups (in different contexts) in order to obtain and exchange information and transfer knowledge. In this sense, the firm would generate value by establishing strategic relations with other agents in its environment, developing and establishing social networks (flexible and dynamic) which allow the creation and the exchange of information and knowledge and the development of learning and innovation processes for the improvement of its competitiveness and therefore, of its performance.

Our main interest will be focused in defining what is social capital, what are the dimensions that compose it and how can it be effective through two primary measures: networks and relations. In both cases, the options could be used internally as well as externally involving this way the three dimensions of the intellectual capital. Moreover, if we understand the role of social capital, the elements that comprise it and its interrelations, we will be able to obtain an instrument that will allow managers, academics and consultants to explain the results of any organization in its socioeconomic context.

**BACKGROUND**

**Social Capital Definition**

Social scientists have proposed a wide number of social capital definitions that vary depending on whether they focus on the substance, the source or the effects of social capital (Adler & Kwon, 2002). In an attempt to collate all the existing meanings, these authors indicate that in order to define the social capital that an agent possesses, academics have focused on three perspectives: (1) the relations that an agent maintains with other agents (external relations) (2) the structure of relations between the agents within a group (internal relations and) (3) both types of perspectives simultaneously. This classification takes into consideration only the fact that the perspective of the ties of an agent in its network is internal or external.

This chapter, in an attempt to expand this concept, tries to establish a social capital classification based on the proposed definition. This new classification is suggested by the definition’s heterogeneity of the academic investigation and by the belief that more centers of interest exist within the social capital than the location of the ties which connect agents. Thus, we can affirm that there exist definitions of social capital that focus on:

1. Social networks in which agents are located. Definitions that refer to the number and nature of the contacts linked to a network.
2. The resources that an agent could mobilize in its network. Definitions associated with the possession of a determined resource and benefits which could be obtained from it.
3. The interaction measures that promote relations between agents of a same social

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