

Social Capital Management in Iranian Knowledge-Based Organizations

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Abstract: The importance of social capital and its effective management approach in organizations, particularly knowledge-based organizations, for assuring their ongoing and sustainable development and competitive advantage has been a matter of serious discussion in recent years. Considering the ongoing expansion and growth of knowledge-based organizations in Iran and the role and importance of their social capital in further development of Iranian society, an effective system of management of their social capital is a matter of concern of their top managers. Therefore, a blend (quantitative and qualitative) multiple case study was conducted with a selected number of knowledge-based organizations with different sizes to assess their existing social capital, to identify factors which might have positive or negative impacts on the promotion of their social capital and to propose an effective approach for its management. To conduct the study, a purposive sample of fifteen large organizations and sixteen SMEs was selected. To collect the data, a stratified random sample of 528 knowledge workers (336 from large and 192 from SMEs) and their HRM managers were given a 24-item questionnaire which was designed based on three dimensions (structural, relational and cognitive) of Organizational Social Capital Model used by Nahapiet and Ghoshal in their study. This was followed by semi-structured interviews with a selected number of research participants for completion and further clarification of collected data. Findings indicated that the selected knowledge-based organizations are not benefiting from a desirable social capital. It is even worse in large organizations. Therefore, some measures need to be taken to improve the situation. Based on the findings of this study, suggestions were provided for the promotion of their social capitals and their more effective management.

Keywords: social capital, organizational social capital, knowledge-based organizations, SMEs, structural capital, relational capital, cognitive capital

1. Introduction

In more developed societies, knowledge-based organizations form a large and vital part of modern societies and are gaining a larger share and playing a more effective role in their market (Abili and Movaffaghi, 2008). These organizations have the following three main (abili, 2011):

They try simultaneously both to make effective use of their existing knowledge and to create new knowledge. In these organizations, it is believed that in today's economy, creating and sharing knowledge is not limited to physical and legal boundary of organizations. We should go to wherever the knowledge is and we should be committed to those who can meet our knowledge-related needs. The dangers of not sharing knowledge is more than the benefits of sharing it.

- They try to move their knowledge management processes in the same direction with organizational strategies. They have realized that knowledge is a key strategic source which can help them to learn what they should know in order to be able to implement their strategies and how to fill their knowledge gap with their rivals more quickly and effectively.
- They have recognized the strategic nature of knowledge and they know that if their strategy is to provide their customers with high quality and innovative products and services and contribute toward sustainability of their environment, they should use their maximum energy for managing their knowledge and learning.

In knowledge work organizations where knowledge enhancement and productivity improvement is critical, importance of knowledge workers as the most critical elements of competitive advantage and their role in the social, political, cultural, and economic development of these environments are undeniable. Knowledge workers have the following characteristics (Abili, 2010):

- Professional security rather than job security is a major priority of knowledge workers.
- Knowledge workers are a good source of knowledge.
- Knowledge workers have a strong desire for continuous learning and self-actualization.

- Knowledge workers have a strong desire for involvement.
- Performance-based rewarding is a strong instrument for motivating knowledge workers.
- Knowledge workers have some other expectations, including desire for independency and freedom of action, management transparency, social networking, just-in-time feedback, idea creation opportunities and flexible working conditions with an open working culture.
- Knowledge workers are not interested in doing routine functions and they are always looking for new challenges.
- Knowledge workers do not benefit from a work-life balance which is a source of their dissatisfaction. They pay more attention to and devote more time to their profession.

In developing societies, knowledge-based organizations are developing a social capital that can help them achieve their sustainable competitive advantage. On contrary, in less developed societies, until recently, social capital has not been regarded as an important factor that can contribute to performance improvement, growth and success of organizations.

2. What is organizational social capital?

Social capital is a concept which has been accepted as a valuable asset for protection and safety of society, empowerment of organizations, and likelihood of civil society (Timberlake, 2005). It plays an important role in meeting organizations' needs and contributing to their successful survival in today's world of competition. It acts as a management tool for fulfilling organizations' goals more effectively and with less cost. In other words, social capital facilitates knowledge sharing, value creation, competitive advantage, better and faster performance, and further development of organizations (Abili and Faraji, 2009). It includes norms, values, orientations, networks and social relations governing behaviors and interactions among individuals. It also facilitates individuals' mutual cooperation and coordination for shared interests and enables them to act collectively.

Social capital does exist in three levels. At micro level, it is formed wherever human relations exist. At middle level, it is formed among members of a group. Relations created as a result of group membership and belongingness can provide opportunities for development of social capital. At macro level, social capital exists in larger social environments and includes formal relations and structures, such as rules and regulations and legal frameworks (Akdere, 2008).

There are two types of internal and external social capital. Internal social capital refers to structure and content of relations among employees as well as organizational units. According to Nahapiet and Ghoshal (1998), this type of organizational social capital has three dimensions of structural, relational and cognitive. External social capital exists in mutual relations between the company and its external stakeholders and increases organizational predicting capability in interacting with environment and provides opportunities for management.

According to Nahapiet and Ghoshal (1998), organizational social capital (OSC) is a collection of existing and potential sources resulted from relational network which belongs to individual or a social unit. As a basis for trust and cooperation among individuals, it helps to lead social relations and improves organizational performance.

Organizational social capital exists in structures and processes of social exchange and it is the only factor which provides sustainable organizational advantage. It reflects quality of relations in organization and measures interrelatedness among its members (Pastoriza, 2009).

Organizational social capital is a source which reflects the nature of social relations in an organization. It is identified through desire for collective goal and shared trust among members of an organization. According to Leana and Van Buren, social capital is an asset which gives benefit to both individual and organization. The importance of organizational social capital is that it causes gathering of individuals as team members who work together to succeed. It also causes the integrity of staff and management (Leana and Van Buren, 1999).

Quality of organization from social capital perspective is assessed based on the characteristics of existing social relations in which employees (a) learn about organizational values and try to gain

- What is the current situation of social capital (structural, relational and cognitive) in Iranian knowledge-based organizations?
- What can be done to promote social capital and to manage it more effectively in Iranian knowledge-based organizations?

4. Research methodology

The social, dynamic and contextual nature of organizational social capital, particularly in knowledge-based organizations, as well as the limitations of quantitative research encouraged the researcher to choose a mixed research method in order to have a better understanding of the problem to be studied. Therefore, a two-phase (explorative and actual), mixed (qualitative and quantitative) and multiple case study was conducted to assess the social capital of a selected number of Iranian knowledge-based organizations.

In the first phase, following a brief review of related literature on Knowledge-based organizations, different social capital models were compared in order to select the one to be used as a theoretical framework for data collection in the next phase (Nahapiet and Ghoshal Model).

In the second phase (data collection stage), a stratified random sample of 528 knowledge workers (336 from large and 192 from SMEs) from different genders, educational backgrounds, ages, occupational types and length of their work experience, and 31 HR managers of participating organizations were selected to participate in this study (Table 1 & 2):

Table 1: Sample size of large organizations

Type of organization	# of organization	# of HR manager	# of k. worker
- Universities	2	2	97
- Research centers	1	2	46
- Service organizations	3	3	127
- Production firms	1	1	75
Total	15	15	447

Table 2: Sample size of SMEs

Type of organizations	# of organizations	# of HR Managers	# of k. workers
- R&D centers	5	5	55
- Consulting firms	5	5	62
- Training institutes	6	6	75
Total	16	16	192

To collect data, a 24-item questionnaire was used which was designed based on three dimensions of organizational social capital model (structural, relational and cognitive) developed by Nahapiet and Ghoshal (1998). This instrument included items used more frequently in previously-developed instruments. The questionnaire had three parts: Part one (structural dimension) includes seven questions related to interaction of personnel for learning and sharing information. Part two (relational dimension) includes eleven questions related to trust (counting on each other regarding their needs and sensitive and important issues) and sympathy (sharing feelings and emotional support for each other) of personnel. Part three (cognitive dimension) includes six questions dealing with personnel's agreement on and committed to shared missions, values, vision and goals.

Validity of the instrument was approved by assessing the degree to which its questions were related to the subject under study. Reliability of the instrument was tested and approved statistically (table 3):

For completion and further clarification of collected data, semi-structured interviews were conducted with a selected number of research participants (20 knowledge workers, five top managers and five HR managers from both large organizations and SMEs).

Table 3: Reliability of questionnaire

Indicators	Questions	Kronbakh
Social capital dimensions	1-24	0.9744
- Cognitive	1,5,10,15,18,22	0.8971
- Relational	2,4,6,7,8,11,13,14,17,23,24	0.9558
- Structural	3,9,12,16,19,20,21	0.8996

5. Findings and conclusions

Current situation of social capital in selected organizations

Based on the analysis of the data collected through administering questionnaires and conducting interviews, research findings indicate that the current situation of social capital in Iranian knowledge-based organizations is not that desirable. It is even worse in large ones. This is due to the fact that in many of these enterprises, technology-related issues are paid more attention compared to social capital-related concerns. Therefore, human resource managers are constantly challenging with accepting more responsibility toward improving organizational social capital and using opportunities more effectively to have more impact on their senior manager' social capital-related decisions. However, as indicated in table 4, the average score in relational dimension of social capital is higher in one large service organization and the average score is higher in the other two large service organizations compared to other participating universities, research centers and production firms.

Table 4: Current situation of social capital in selected Iranian large organizations

Social capital dimension	University Mean / SD	University Mean / SD	RES CENTER Mean / SD	Service Org. Mean / SD	Service Org. Mean / SD	Service Org. Mean / SD	Production firm Mean / SD
Cognitive	2.56 / 0.56	2.4 / 0.70	2.8 / 0.54	2.8 / 0.71	2.4 / 0.38	2.8 / 0.53	2.7 / 0.68
Relational	2.6 / 0.60	2.5 / 0.85	2.8 / 0.52	2.9 / 0.51	3.2 / 0.28	3.0 / 0.49	2.7 / 0.60
Structural	2.4 / 0.63	2.4 / 0.68	2.7 / 0.60	2.7 / 0.54	2.6 / 0.27	3.0 / 0.50	2.6 / 0.68

According to table 5, the average score in all three dimensions of social capital (cognitive, relational and structural) is higher in SME R&D centers compared to consulting firms and training institutes. Therefore it can be concluded that the current situation of social capital is more desirable in large service organizations and SME R&D centers:

Table 5: Current situation of social capital in selected Iranian SMEs

Social Capital Dimension	R&D centers		Consulting firms		Training centers	
	Average	Standard deviation	Average	Standard deviation	Average	Standard deviation
Cognitive	5.56	0.48	5.24	0.36	4.63	1.07
Relational	5.86	0.48	5.41	0.48	4.62	1.05
Structural	5.57	0.54	5.19	0.61	4.23	0.99

Solutions for improving social capital in selected SMEs

Measures offered by research participants for developing and further improving social capital in Iranian knowledge-based organizations (both large organizations and SMEs) are divided in three categories:

Individual measures

There was a strong belief among research participants that individual measures, such as mutual support for and learning about each other and no hostility and jealousy toward each other, can develop and further improve organizational social capital in Iranian knowledge-based organizations:

Managerial measures

- Research participants believed that through a responsible management and taking the following measures, social capital can be improved in Iranian knowledge-based organizations:
- Paying attention to employees' interests and experiences and improving their morale
- Developing trust and informal relations among employees through organizing friendly gatherings for easing their work-related issues and tensions
- Informing employees about the organizational goals and values
- Increasing employee motivation through reducing feeling of discrimination and promoting honesty and fairness
- Developing and empowering employees and providing them with professional and job security
- Getting employees involved in management decisions and creating an open environment for presenting their personal views more freely

Organizational measures

Research participants believed that the following organizational measures do have an effective role in improving social capital in Iranian knowledge-based organizations:

Promoting a culture of meritocracy among employees

- Providing employees with organizational support
- Reducing hypocrisy among employees
- Regarding employees as human beings rather than working tools

6. Recommendations

Prior to making any recommendation, as it was pointed out by research participants, it should be emphasized that any activity or measure for developing and improving social capital in an organization should give employees the feeling that management, particularly top management, considers them important and does not regard them as tools. This will encourage them to internalize organizational values and to build a trust-based relation with others. Of course, top management has a key role in creating this feeling among employees.

Social capital is strongly related to ethics. Therefore, management should be committed to ethics and behave ethically. This will cause employees' more trust toward management.

Social capital can be further developed by creating feeling of organizational belongingness in employees through management sensitivity toward their professional and job-related needs, such as job security and stability.

Clarity of expectations from employees and giving them frank and honest feedback about their performance can lead to increase of social capital in organizations.

Social capital can be improved through involving and engaging employees, particularly knowledge workers, in group and organizational decisions. This will strengthen their social identity and fulfill their need for team-working.

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