The relationship between social capital and tacit knowledge

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Abstract
Social capital has evolved from an interdisciplinary standpoint. Recently, interests over it have been instigated by entrepreneur literatures because of the arising need to understand its contribution to quality of resource-based management, specifically knowledge-based resources, which provides a great possibility for a successful firm performance. Nevertheless, knowledge and information, just like social capital, are multidimensional in sources and consequences. Scholars have differentiated between tacit and explicit knowledge to clearly present their argument that these two types of knowledge fit various networks of social relations for optimal performance. Therefore, an in-depth investigation of the correlation between social capital and tacit knowledge acquisition is essential to the establishment of a framework that would shed light on the implications of social relations in the corporate world.

Keywords
social, relationship, tacit, capital, knowledge, between

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The Relationship between Social Capital and Tacit Knowledge

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ABSTRACT

Social capital has evolved from an interdisciplinary standpoint. Recently, interests over it have been instigated by entrepreneur literatures because of the arising need to understand its contribution to quality of resource-based management, specifically knowledge-based resources, which provides a great possibility for a successful firm performance. Nevertheless, knowledge and information, just like social capital, are multidimensional in sources and consequences. Scholars have differentiated between tacit and explicit knowledge to clearly present their argument that these two types of knowledge fit various networks of social relations for optimal performance. Therefore, an in-depth investigation of the correlation between social capital and tacit knowledge acquisition is essential to the establishment of a framework that would shed light on the implications of social relations in the corporate world.

Keywords: Social Capital, Social Networks, Tacit Knowledge, Entrepreneurship

1. INTRODUCTION

Relationships matter. Through establishing connections with one another and maintaining those relationships over time, individuals are able to perform their tasks together to accomplish undertakings that they either could not realize by themselves or could only be pulled off with painstaking difficulties. The theory of social capital embraces this principle. People associate themselves to others through a series of networks and they are inclined to possess communal values and characteristics; to the scope that these networks represent a resource, they can be perceived as shaping a form of capital.

Specifically, social economic theory of social relations provides an extensive overview of the instrumentality of the concept of social capital in mainstream entrepreneur research. Critical investigations of social capital recognized the two faces of social relations, the bright and the dark side of it, its positive and negative economic outcomes. However, social capital seems to stand for almost anything related to bonds between individuals. Moreover, it encompasses both the individual and the organizational levels. Social capital has an important role in the goal-attainment of actors through the support of relationships. Actors could either be individual people or groups such as firms and other organizations. In groups, the social relations matter most between, and not within, the groups. Apparently, it cannot be discounted that within the group an individual has social capital in associations between people, yet then the significant actors are the members of an organization, not the organization as a whole. Like physical and human capital, social capital also demands investment to construct.

Entrepreneurs and managers nowadays are venturing into the realm of social capital because of two important elements that trail with it, which are information and influence. Social capital may confer ease of access to information, which is then a crucial building block of entrepreneurial endeavors. Social capital improves the relevance and quality of information exchanged through social networks. Influence in the other hand, is another latent benefit of social capital. Individuals extract responsibilities from others in the set of connections and control these obligations at a later period. The influence and power of entrepreneurs and managers who have disconnected or distant networks are more favorable than those who maintain a closer social network ties. Therefore, the emergence of the three dimensions of social capital: the structural, cognitive and relational.

Recent literatures on social capital put emphasis on its role in knowledge transfer and knowledge acquisition, specifically tacit knowledge. Tacit knowledge is identified as task-related practical knowledge. It is a kind of knowledge that cannot be verbally expressed and pronounced openly but it is rather understood or implied and is frequently linked with the concept of intuition. The creation of tacit knowledge within a firm is determined by the nature of social relations or network ties that it has. This study then will take into account the arguments put forth by different academics on the concept of social capital and tacit knowledge. Likewise, it will further analyze the inherent interconnection between social capital, particularly its dimensions, and the transfer and acquisition of tacit knowledge.
2. SOCIAL CAPITAL: A NEW-FANGLED CONCEPT OF ENTREPRENEURSHIP

The concept of social capital has been the brainchild of different academic disciplines, from the emotionally involved realm of the human sciences to the impersonal domain of the corporate world. However, despite the usability hence the popularity of studying social capital, it remains to be an evasive model of understanding network and relational ties because of the subsequent uncertainty of its level of analysis such as its substantiality, development and outcomes.

Fundamentally, there are four primary disputes in the investigation of social capital. Primarily, there is a scarce agreement on the precise definition of social capital particularly the one closely linked to the organizational structure (Li, 2007, p.227-228). For some, social capital is a framework that clearly characterizes the survival and continuity of a community through the existence of network ties that are forged through time and which become the major foundation of trust, cooperation and collective actions (Jacobs, 1965). This humanistic approach to social capital has evolved to integrate within its conceptual analysis the economic progression of firms. Hence, social capital became quite constrained with the notion of resource-acquisition because some scholars such as Bourdieu (1986) and Putnam (1995) broadened the analysis of social capital by maintaining that the network ties inherent in social capital can be valuable to the access of tangible and prospective resources. On the other hand, there are a number of scholars such as Baker (1990) who restricted the definition of social capital to the traditional conception of it, which is a structure within the relationship of networks. However, the former definition is commonly used nowadays in assessing economic performance of firms because social capital in a highly evolving business sector is not only a structure of networks but also an asset.

Furthermore, aside from disagreements on the clear-cut definition of social capital, petite consensus is present in terms of level of analysis. Social capital is certainly priceless in the area of strategic management because it has the potentiality to explain performance at various levels, from the individual and small groups, to larger organizations such as firms, societies and even nations (Moran, 2005, p.1130). Particularly, social capital in firms has two facets, the individual rank which is bordered by powerful elements of control, authority and access to essential information and the structural network of relationships of individuals or contacts which is thereby assailed by the competing concepts of structural holes or the ego-centric network (Nahapiet and Ghoshal, 1998, p.243) and the closed networks or the dyadic level. Nevertheless, the multiplicity of the level of analysis that social capital can assume is much adept in clarifying the downside and the constructive effects of unacquainted and closely related links in terms of establishing resource-acquisition, specifically relating to access to critical information.

Lastly, social capital is contested on its highly regarded consequences. For those who value more relational than structural embededness, social connection and trust are the most vital elements of social capital. On the other hand, for those who give primacy to the latter, control and social hierarchy are the foremost features of social capital.

These debates on the various components of social capital, particularly in relation to economic performance of firms and resource-acquisition, are bolstered by a plethora of studies that used both qualitative and quantitative methodologies in order to generate useful knowledge of the true value of social capital in the corporate world. These various research studies conducted on different large companies will be concisely yet substantially explored in the proceeding parts of the paper so as to demonstrate the theoretical and actual functionality of social capital on firms’ economic progress through strengthened resource-bases such as tacit knowledge.

3. THE DIMENSIONS OF SOCIAL CAPITAL

The notion of social capital has been traditionally constricted to its importance in elaborating on the set of social resources rooted in relationships. The premature conception of social capital emphasizes on the primary significance of the growth of individuals within a community social organizations. However, social capital has recently gained a broader designation which includes not merely social relationships but also the norms and values related with them. Moreover, the concept has been appropriated to an extensive array of social phenomena, with particular emphasis on the contribution of social capital on the payment for chief executive officers, singular work-related achievement performance of companies, the advancement of human resources, industry formation and firm development. Hence, nowadays, the importance of examining social capital has been extended to entrepreneurial researches.

The common agreement is that an extensive level of social capital founded on a constructive reputation, useful experience and direct personal contact, frequently guide entrepreneurs in attaining friendly relationship with business enterprising capitalists, chief viable information sources, prospective customers and others. The access to valuable resources which is made possible by entrepreneurial networks profoundly boosts the continuity and expansion likelihood of new firms (Liao and Welsch, 2005, p.346).

Principally, social capital has been generally identified and equipped as a one-dimensional rather than a multidimensional enterprise with much stress on the network or structural constituent. Researches on the other dimensions of social capital have been given little attention. The substance of studying the various dimensions of social capital lies on its direct influence
on knowledge acquisition. The movement of knowledge within networks and how social capital impinges on the transfer of knowledge have been understood by some scholars through applying the three dimensions of social capital, which are structural, cognitive and relational.

The structural dimension of social capital entails the sequence of relationships among the network players and can be evaluated from the angle of network ties, network arrangement and network strength. Sets of relationships or network ties deal with the detailed means the actors are interconnected. One of the essential features of social capital is network ties because an actor’s system of social networks generates prospects for social capital operations (Adler and Kwon, 2002; Inkpen and Tsang, 2005, p.152). Alternatively, Nahapiet and Ghoshal (1998) describe the structural dimension as the distant configuration of connections between people or entities. Integrated with this definition is the existence or deficiency of network ties between players, alongside with other structural attributes such as “connectivity, centrality and hierarchy” (Moran, 2005, p.1132). The structural dimension of social capital centers on the gains granted by the system of an actor’s network ties. Specifically, the greatest attention upon the structural configuration of social capital is given to the concern over the consequences of the extent of the connections within a social network of relationships. The contention held by this premise is that those who possess meager networks of contacts and who are then not associated to one another produce the highest benefit. The advantage of sparse social networks concerns particularly to the managers since this arrangement creates a pool of private access to information hence establishing a great control over its application. This benefit from structural holes should provide managers a leeway to produce more value for their companies (Moran, 2005, p.1132).

Then again, the second dimension of social capital is the cognitive aspect which is entirely ignored in entrepreneur literature. Some entrepreneur researches define this dimension as those resources offering collective representations, understanding and organizations of meaning among parties. According to Coleman (1990), a norm is established if there is an acceptance among the members of a social network of a socially defined right of an actor to influence an action. It implies a powerful model of social capital. The normative codes and other forces that are present in network milieus affect the behavior of promising entrepreneurs (Liao and Welsch, 2005, p.350).

Lastly, the relational facet of social capital specifies the type of relationship that a number of individuals developed among one another through a history of interactions. This concept is more distinct than the structural dimension because it includes particular relations that individuals have such as deference and comradeship that duly influence their behavior. Aside from intact relationship among the members of network social relations, the key elements in the relational dimension of social capital are trust and trustworthiness, rules and sanctions, commitment and expectations, and individuality and recognition (Nahapiet and Ghoshal, 1998, p.244). These key elements of the relational aspect of social capital establish the likelihood of a manager to acquire resources, particularly information-based or knowledge-based resources.

Above and beyond the dimensions of social capital is the source of it, which is the social structure wherein actors are situated. Social capital can be set apart from other forms of resources by the explicit dimensions of its social structure. By definition, social capital is the resource obtainable to actors as a purpose of their position in the structure of their social relations. The three conceptual dimensions of social structure are market relations, hierarchical relations and social relations. The first one, market relations is defined as the venue in which goods and services are bartered for monetary value; hierarchical relations, on the other hand, is distinguished as a feature wherein submission to authority is required in exchange for physical and spiritual stability; and social relations is discerned as a channel in which tangible such as gifts and intangible articles such as favors are exchanged. Among these three dimensions of social structure, social relations are the one constituting the social structure fundamentally supporting social capital (Adler and Kwon, 2002, p.18).

4. TACIT KNOWLEDGE

An enormous amount of information and knowledge inhabit the minds of key personalities; yet this aspect is infrequently organized in a manner that permits diffusion to others. This type of learning has been given a name by Polanyi, tacit knowledge. According to Polanyi, people usually know more than they can articulate and that the objective of competent performance is accomplished by the adherence to a set of rules which are unfamiliar as such to the individual obeying them. Tacit knowledge is generally referred to as “know-how” or “street smarts” and is frequently recognized in comparison to its counterpart, explicit knowledge. Explicit knowledge can be conveyed orally or in a written structure (Leonard and Insch, 2005, p. 495). When juxtaposed with explicit knowledge, tacit knowledge could sound extremely difficult to communicate because it is normally subconsciously understood and practiced. It is certainly complicated to articulate because it is developed from direct experience and commonly shared through vastly interactive discussion, storytelling and collective experience.

Some researchers broadened the notion of tacit knowledge by arguing that it is action-oriented knowledge which is gained without direct assistance from others and which consents individuals to realize objectives they personally give importance. Explicitly, this definition was coupled with three attributes; it is
attained with slight or without environmental backing; it is technical, and it is sensibly helpful (Leonard and Insch, 2005, p. 497). In other words, tacit knowledge cannot be codified but it is possible to convert some tacit knowledge to explicit knowledge. The problems is, given by the three characteristics of tacit knowledge, it is extremely difficult or impossible to codify it and made to be explicit. Moreover, tacit knowledge cannot be learned through formal education or reading guidebooks or listening to seminars; it is only learned through experiences (Berman et al, 2002, p.14).

Moreover, tacit knowledge can be divided into two elements, the cognitive and technical. The former aspect pertains to personal mental frameworks which are comprised of principles, patterns and perspectives that are greatly embedded that people usually ignore them or takes them for granted; these unspoken representations influence our worldview. Within the cognitive reasoning stage, meaning is occasionally illogical because individual impulses are informing people otherwise in spite of the realities or the strength of the argument. Conversely, the technical section involves actual know-how, expertise and abilities that are relevant to a specific-context environment (Hsu and Pin, 2005, p.354). Tacit knowledge may be the solitary workable option when confronted by time constraints or vital aspects of a situation are difficult to put a figure on. Tacit knowledge can be valuable in detecting if a problem becomes real, in verifying more balanced approaches, in sidestepping comprehensive analysis and to transfer swiftly to a conceivable answer if a well-known pattern is identified. Tacit knowledge can be used for assimilation at the concluding part of a decision procedure to monitor if the alternative solution is appropriate, or it can be helpful to resolve the correctness of information while it is being collected prior to the deadline of the decision.

Tacit knowledge, as recently believed, is multidimensional which is shown by its cognitive and technical elements. However, there is a dearth in empirical work devoted to illustrate the multidimensionality of tacit knowledge. Aside from Nonaka’s assertion that tacit knowledge has both a cognitive and technical-skills facet, there are researchers who contend that a third dimension exists, which is the social dimension (Nonaka, 1994; Leonard and Insch, 2005). This third dimension of tacit knowledge is defined as an understanding of how to work together with others. According to Wagner (1987), this is the capability to manage other people, yet he did not go any further in explaining what his statement in point of fact means (Leonard and Insch, 2005, p.501). Since organizational obligations are performed in social settings, it is significant to understand the specific social knowledge and proficiency an individual needs to gain knowledge of how to professionally carry out his/her tasks.

5. SOCIAL CAPITAL AND TACIT KNOWLEDGE: INSEPERABLE ENTITIES OF SUCCESSFUL FIRM PERFORMANCE

Social structure, or the pattern of relationships within a firm, possesses a fundamental responsibility in new knowledge creation. Some researchers even regard firms as a social community. Knowledge alters features of production into value-added goods and services in an internal context of communities. Thus, one feasible technique to achieve this goal is through dissemination of tacit knowledge within a firm’s social structure.

Organizational learning and knowledge literature habitually put emphasis on the kind of knowledge transmitted. Consequently, firms frequently make a distinction between explicit knowledge and tacit knowledge. Although tacit knowledge is profoundly favorable to a company, it also carries shortcomings such as difficulty in diffusion. For instance, tacit knowledge consumes time to put in plain words and be taught and so inclines to impede the transfer of manufacturing potentials and innovative product improvement programs (Levin and Cross, 2004, p. 1479). Nonetheless, social capital provides the fabric for tacit knowledge diffusion to others. Diffusion is defined as a steady process of dissemination which requires social interaction. Tacit knowledge-transfer within a specified social capital becomes embedded within the skills, capacity and instinct of those involved.

Three of the dimensions of social capital, which are structural, cognitive and relational, can be applied in modeling the extent and outcome of tacit knowledge transfer within a network of social relations. Academics of social network have devoted considerable amount of time on the structural components of networks such as the concept of “structural holes at the network level and tie-strength at the dyadic level” (Levin and Cross, 2004, p. 1478). Tie strength, which is a notion of ties varying from fragile ties to strong ties at the other extreme, differentiates the familiarity and communication regularity of a relationship between two parties involved, who are the information seeker and the knowledge provider. Numerous theories have emerged regarding the advantages of both weak and strong ties at the dyadic level. Granovetter (1973) in his investigation on the various processes of finding jobs employed by people, assumed that weak ties or those that are characterized by remote and occasional interaction are more probable to be sources of new knowledge whereas strong ties tend to encourage trafficking in information because of close connections to others. Later researches on the relevance of weak ties has illustrated that they can be influential not only in job-seeking activities but also to the transmission of knowledge and practical suggestion. Contrastively, strong ties have been acknowledged as significant because they are more available and enthusiastic to be cooperative. Moreover, a plethora of studies demonstrated that strong ties are
necessary medium of valuable knowledge (Granovetter, 1973; Levin and Cross, 2004).

Furthermore, the information advantages of scantly social networks are well documented. This implies that as one becomes more detached to his/her contacts the more likely the information and knowledge accessible to these contacts will be non-redundant. An entrepreneur or a manager then will gain a rich array of information and knowledge due to the individuality established among the contacts. The essentiality of information’s non-redundant nature is expressed in this passage. “Whether it takes the form of current news and gossips or more substantive data or know-how, the information’s non-redundancy makes it more valuable as it positions the manager to learn of the information sooner, discover discrepancies or inconsistencies more easily, and to control its diffusion more selectively. To the extent such broad access to valuable information permits the manager to learn of more opportunities, see them faster and assess their value more broadly, it should enable him or her to boost sales” (Hargadon and Sutton, 1997; Moran, 2005, p.1133).

In this quoted passage, it is apparent that the structural dimension of social capital is founded on deference-trust of the knowledge provider or the employees to the knowledge seeker or the manager; the transmission of tacit knowledge from the employees to the top results to great advantages to the users of the information because it is in their disposal to apply the valuable knowledge in their own gains or for the benefit of the firm. Nevertheless, this only testifies to the reality that a sparse social network highly assures production of non-redundant and diverse information and tacit knowledge.

Alternatively, the cognitive dimension of social capital is recognized by organizations as a system which can develop tacit knowledge through devising increasingly truthful representations of their well-established worlds. Since knowledge is perceived as a depiction of these worlds, knowledge gathering and diffusion are the primary knowledge improvement programs in an organization (Koskinen et al, 2003, p.283). Knowledge is shared and applied creatively and vertically in most firms. Therefore, there are incidences wherein a member of a social relation seeks advice from the peer rather than hi/her designated superior. This arrangement commonly results to conditional exchanges which state that sharing of information and tacit knowledge must be in a mutual reciprocity. These agreements are oftentimes worthwhile in and of themselves but knowledge, particularly tacit knowledge, is not fairly distributed within companies and the opinions of several members is more often asked for than that of others. Then over time, unofficial experts will come forward whose status is obvious among their peers and who entertain esteem and respect from recipients of their tacit knowledge without the necessity of an evenhanded exchange (Käser and Miles, 2002, p.13). Therefore, the transfer of tacit knowledge in the cognitive dimension of social capital increases as the demand for information and knowledge mount and the availability of reliable knowledge providers who do not insist a mutual exchange of know-how knowledge improves in number.

6. CONCLUSION AND FUTURE RESEARCH

Managers are well-aware of the harmful consequences of deficiency in the flow of tacit knowledge within an organizational social structure. However, the actual strategies that many businesses practice are incomplete in the sense that they do not optimistically concentrate on the problem of tacit knowledge loss. Employee turnover must be closely monitored by the managers because employees are the common sources of valuable knowledge or know-how. Managers should understand the importance of social networks hence making structural reforms to their organization which will then advance the dissemination of knowledge prior to the lost of critical information.

Promotion of tie-building programs or provoking ways to improve linkages between individuals, branches, factions and organizations could lead to an efficient and equitable transfer of tacit knowledge. Mentoring programs could confer knowledge transfer benefits to firms while time used up with colleagues results in transmission of knowledge and assimilation for employees. Through guaranteeing that employees are coupled with others from various departments, non-redundancy of information can be improved. Moreover, creating cross-functional work teams composed of employees from different units to accomplish projects is another strategic way to encourage the formation of new ties and the conveying of non-redundant information. Furthermore, reward and incentive systems may be employed to motivate employees to endeavor in knowledge sharing. Incentive programs may afford an environment for stimulating interaction, group effort and knowledge sharing and transmission.

It is argued in this research paper that actor interaction, teamwork and access to non-redundant information can smooth the progress of tacit knowledge diffusion; social network configuration, connecting structural holes and weak ties represent the setting against which dissemination can take place; for instance, the relationship between weak ties and information transfer. Weak ties are typified by less recurrent social interaction; actors have the prospect to increase value by patching up structural holes and mediating information exchange between distant or feebly associated groups. Nevertheless, organizations with close networks of social relations and high interconnectedness are normally those in multifaceted, self-motivated environments such as natural organizations. On the other hand, firms functioning in more established environments characteristically have less solid networks.
These companies may not demand the same increased levels of actor communication, relationship and access to non-redundant information to sustain tacit knowledge maintenance as do those confronting more intricate environments. Other theorists further argue that even though interconnected ties are beneficial in stable settings, an approach of linking structural holes is advantageous in more forceful environments. They recommend that this is due to the less need of an active information exchange in stable circumstances. Therefore, one sector of future research is to investigate the relative prerequisite of employee interaction, cooperation and access to innovative information in companies differentiated by moderate industry sustainability against firms performing in more intricate, dynamic situations.

Then again, the optimal combination of weak and strong ties can be a workable topic for future research. Weak ties are required for non-redundant information whereas strong ties are necessary when composite knowledge is engaged. Since it necessitates fewer endeavors to have more weak ties than strong ties, it is expected that more attention will be devoted towards weak ties yet strong ties are still indispensable.

The wealth of firms greatly depends in their intellectual capital. However, many companies still fall short in understanding the reasons of their own depreciation as employee turnover increases hence the need for future research to carry on emphasizing the relevance of this relationship. Moreover, companies subsist to generate substantial advantages from the improvement of strategies to conserve tacit knowledge, particularly when these strategies take into account and make use of the intrinsic social network structure or social capital of the organization.

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