Social Capital Theory as a Competitive Advantage

Professor Sandra D. Sjoberg
Mount St. Mary's University
Emmitsburg, Maryland

Why Social Capital Theory?

- Historically, social capital theory is grounded in public policy and civil society. (Bourdieu, 1985; Coleman, 1990; Field, 2003; Jacobs, 1961; Putnam, 2000)

- However .......
  - social capital theory can be applied to business organizations
  - framework to understand the knowledge transfer process between individuals and larger networks

Why Social Capital Theory?

Goal ......

- Create organizational knowledge that can be transformed into actions with the ability to create a competitive advantage

Companies with greater social capital can achieve and sustain greater competitive results.
The whole is greater than the sum of the parts

Value of organization as a collective group of individuals operating in a social manner create more value together than individually.

(von Krogh, Roos, & Tikycz, 1994; Lesser & Prusak, 1999; Seely-Brown & Duguid, 2001; Nonaka, 1991)

Why Social Capital Theory?

Knowledge .... Innovation .... Competitive Advantage

- Knowledge is from what is collectively known and efficiently used (Davenport & Prusak, 1998)
- Advantage is from development of new knowledge and innovation (Nonaka, 1991)

Thus, the integration ....
Knowledge management is both a social process and an action oriented process. “the capacity to take effective action” (Senge, p. 48)

Social Capital Theory
Knowledge Management

- Knowledge must have context as stated by Peter Drucker where “data is endowed with relevance and purpose” (Davenport & Prusak, 1998, p. 2)

Learning is social
Learning is action

“Learning, that is, doesn’t just involve the acquisition of facts about the world, it also involves acquiring the ability to act in the world in socially recognized ways” (Seely-Brown & Duguid, 2001, p. 200)

Knowledge Management Defined.....

Process of forming context in the mind of the learner and the ability to evolve from data and information into higher order knowledge leading us to action.
Organizational Knowledge …..

- Organizations are social entities
- Starts with human capital (individual) and integrates together throughout the organization, supporting learning is social.
- Social levels, or relationships, within an organization occur both informally and formally, supporting learning is about action.

Knowledge is knowing truth that comes in many forms and contexts

Organizational Knowledge is the stream of meaning shared by others within a structure
✓ Business results integrate collaboration throughout the organization
✓ Requires integrative business model including informal and formal structures
The journey ….


- To the collaboration and exchange of resources within the firm for results.

“Social capital also increases the efficiency of action and encourages cooperative behavior” (Hoffman, et al, p. 98)

Performance Metrics

- Greatest challenge is the measurement of knowledge and the degree of social capital within an organization.

- Integrate financial and non-financial, tangible and intangible, relatedness and value of knowledge.
Learning and growth are supported by social capital within an organization.

Implying organizations with greater social capital are more strategically ready and have a greater ability to convert intangibles and the relatedness of knowledge into action for a competitive advantage.

Key Takeaways …..

- How are you building social capital in your organization?
- Are you integrating human capital throughout your organization … both formally and informally?
- Are your project teams strategically aligned?
- Does your KM program deliver both relatedness and value?

"Knowledge drives strategy and strategy drives knowledge management" (Tiwana, 2000, p. 103)
Sandra D. Sjoberg provides an integration of academia and practitioner experience. Prior to her teaching position at Mount St. Mary’s University in Emmitsburg, MD she held various functional and cross-functional positions in the consumer products industry. She has over sixteen years of industry experience with companies of employment, including: Coca-Cola, Kraft Foods, Nabisco Foods Group, and Pepsi-Cola. Most recently she held the position of Financial Controller for Amerock, a division of Newell Rubbermaid. Sandra is currently pursuing her Ph.D. in Applied Management and Decision Sciences from Walden University. She holds an MBA from Vanderbilt University and a BS degree from the University of Baltimore. She is the Sam M. Walton Fellow for the Mount St. Mary’s Students in Free Enterprise (SIFE) team and her research interests are integrative business models and how knowledge is developed and dispersed across functions and within project teams for creating a competitive advantage.

References


