



October 3-4th, Tulsa, Oklahoma

Social Capital Theory as a Competitive Advantage

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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.

Why Social Capital Theory?

The whole is greater than the sum of the parts

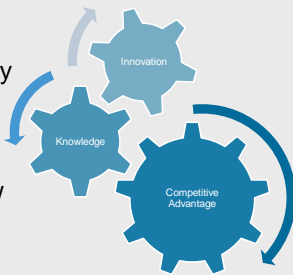
Value of organization as a collective group of individuals operating in a social manner create more value together than individually.

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

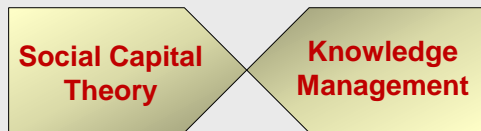
Knowledge Innovation Competitive Advantage

Knowledge is from what is collectively known and efficiently used (Davenport & Prusak, 1998)

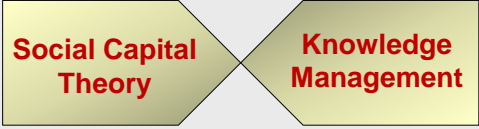
Advantage is from development of new knowledge and innovation (Nonaka, 1991)



Thus, the integration



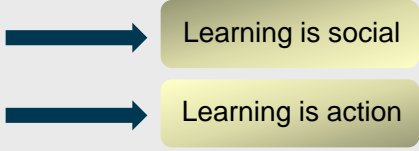
The integration



- Knowledge management is both a social process and an action oriented process.
- “the capacity to take effective action” (Senge, p. 49)

The integration

“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.

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

Organizational Knowledge

Organizations are collection of individuals brought together within a structure (dictionary.com, n.d.)

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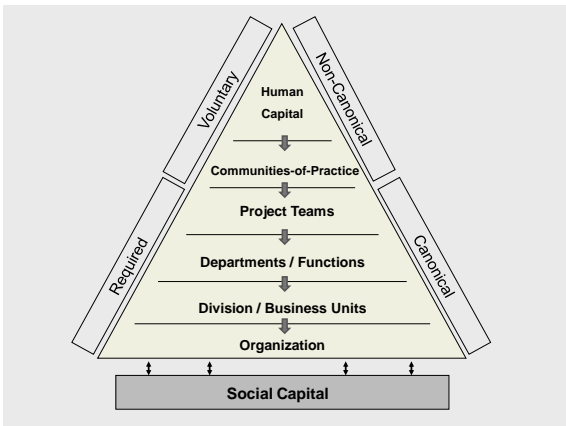
Knowledge is knowing truth that comes in many forms and contexts (Dalkir, 2006)

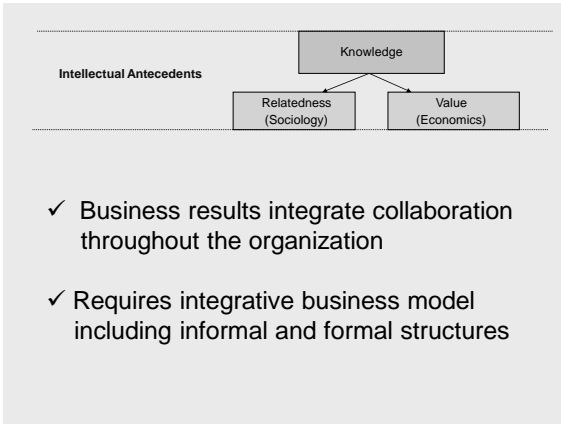
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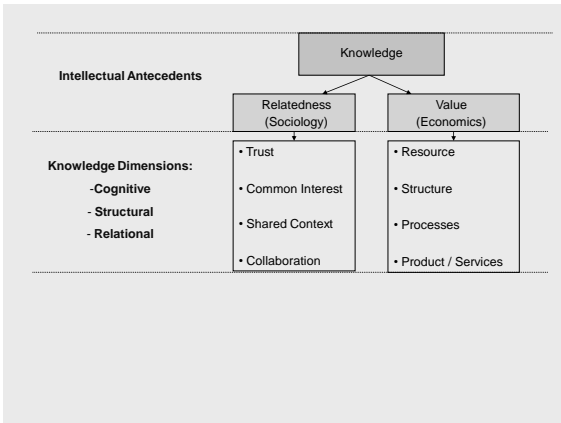
Organizational Knowledge is the stream of meaning shared by others within a structure

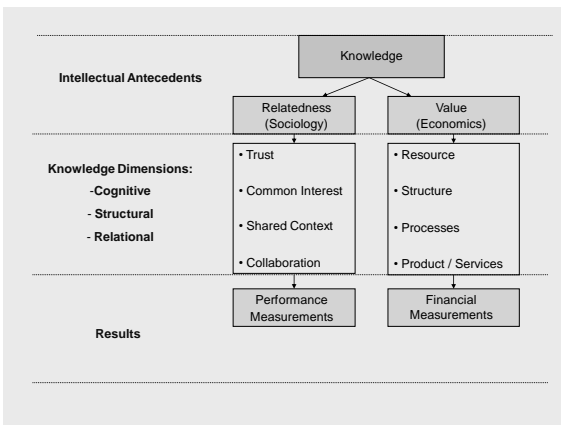
Organizational Knowledge

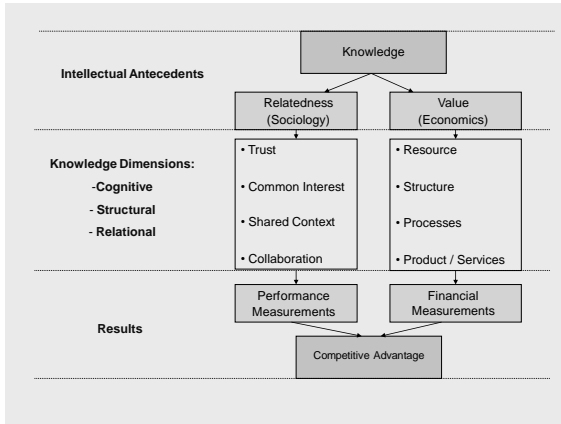
- Organizations are social entities
- Starts with human capital (individual) and integrates together throughout the organization, supporting learning is social.
- Social levels, or relationships, within an organization occur both informally and formally, supporting learning is about action.











The journey

- ✓ From economic-based theories: theory of the firm, resource-based view, resource-advantage theory. (Halawi, Aronson, & McCarthy, 2005; Hoffman, Hoetscher, & Sherif, 2005; Nahapiet & Ghoshal, 1998)
- ✓ 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.



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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.

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