

Research Article

Organizational Social Capital with the Human Resource Management Approach

¹Manouchehr Jofreh, ²Hatam Faraji Dehsorkhi and ²Ali Yasini

¹Department of Management, Islamic Azad University, Central Tehran Branch, Iran

²Kharazmi University of Tehran, Iran

Abstract: Organizations, as social units, comprise conflicting and contrary components which expel each other. What prevents the organization from falling apart and lubricates organizational actions is Organizational Social Capital (OSC). Therefore, how OSC is generated and maintained must be considered and studied. Hence, we attempt to study the role that Human Resource Management (HRM) plays to generate OSC. In order to generate OSC some individual qualities are necessary and HRM practices, like selection, socialization, training and rewarding, can improve and enhance the individual qualities and, as a result, facilitate OSC creation and maintenance. This study examines the specific role of human resource management in creating OSC.

Keywords: Human resource management, human resource management practices, individual qualities, organizational social capital

INTRODUCTION

The statement of problem: Have you ever thought about why the nucleus of an atom, despite having the same electrical charges in it, doesn't break up whereas particles with the same electrical charges expel each other? The reason is nuclear force. In fact, this power sticks these particles together and prevents the nucleus from collapsing. The function of social capital in organizations is the same. Actually, organizations comprise conflicting and contrary components, such as power struggle, conflict between goals, conflict between formal and informal groups or line and staff and so on, which expel each other. The role of organizational social capital is to keep these conflicting elements together, to facilitate cooperation and to lubricate organizational activities. In other words, organizational social capital is an organizational glue and lubricant that hold organization together.

In the last few years organizational scholars have paid attention to organizational social capital, but the creation and maintenance of such capital has received less attention and discussion. For instance, Pastoriza *et al.* (2008, 2009) suggest that creating an ethical work context, encouraging transcendent motives and manager's ethical behavior play an important role in fostering and maintaining the OSC, or Leana and Van (1999) argue that human resource practices contribute to generate OSC. Nevertheless, small attention has been paid to how OSC is created (Bolino *et al.*, 2002). Pastoriza *et al.* (2009) point out that further research is needed to understand the organizational factors that influence individuals for activating OSC. Therefore, the

present study aims to systematically study the specific role of human resource management, as an organizational factor, in creating OSC by influencing individual characteristics. We believe that human resource management practices can shape employees' behavior toward creating OSC. Hence, focusing on the creation of OSC, we emphasize the process of OSC rather than its content.

What is organizational social capital? Organizational social capital reflects the quality and quantity of relations in the organization. In other words, to what extent are the organization's members connected (structural dimension) and that how are the nature and quality of these connections (relational and cognitive dimensions). Although, researchers agree on this point that at least two persons are required to form social capital which means social capital isn't an individual quality, but a social quality, namely, it is a property of groups and not individuals (Fukuyama, 1997). But the review of the OSC literature reveals that individual qualities and characteristics influence the creation of OSC. Leana and Van Buren (1999) state that OSC consists of two components: associability and trust. They define associability as the willingness and ability of participants to subordinate individual goals and associated actions to collective goals and actions. In other words, associability is both the ability of interaction with others and the willingness or tendency to subordinate individual desires to collective adjectives. Adler and Kwon (2002) propose, in their model, three sources of OSC, i.e., opportunity, motivation and ability. Most researchers, explicitly or

implicitly, point out that two individual qualities are necessary to shape OSC, those are:

- Ability
- Willingness

In other words, no relations or connections will be established unless the organization's members are able and willing to build the relationship (Leana and Van, 1999).

Ability in the existing literature refers to human or communication skills, the ability to establish relations, or the ability to interact socially with others (Leana and Van, 1999). From Portes' standpoint, social capital is the ability of actors to gain benefits through membership in social networks (Narayan and Cassidy, 2001). Colman and Fukuyama have also stressed the individuals' ability in building relationship with others in order to create social capital. Coleman (1988) believes that individuals' knowledge and understanding of the patterns of reciprocal actions is something encouraging people to cooperate. By knowledge and understanding, he means communication skills.

In the literature of social capital or organizational social capital willingness has been defined in different ways, such as willingness or propensity: to help, to cooperate, to communicate, to get familiar with others, to subordinate individual's desires to collective goals and cooperative and forgiveness morale. Trust, as the main component of OSC, requires a willingness to be vulnerable (Leana and Van, 1999). Danchev (2006) states that to generate social capital the individuals have to possess certain personal qualities, such as marginal propensity to help others and to recognize the natural leader. He also mentions that to generate social capital, the individuals in a community must be able to form an informal association and to interact.

Thus far, as indicated the individuals' ability and willingness to communicate or interact socially are the two required characteristics to generate OSC. In the remaining section, it will be discussed that how human resource management can facilitate the creation and maintenance of OSC via influencing the organization's individuals' ability and willingness.

Proposition 1: To create OSC individual qualities are required.

Human resource management and OSC: Human resource management is defined as a strategic and coherent approach to the management of an organization's most valued assets. The people working there who individually and collectively contribute to the achievement of its objectives. One of the most

important aims of Human Resource Management (HRM) is to ensure that the organization obtains, retains and develops its workforce (Armstrong, 2006). Actually, the subject of HRM is employees themselves and handling their affairs (Saadat, 2007). From this perspective, the quality and quantity of relations among the employees in the organization is one of the most vital matters for the human resource management to watch over and pay attention to, because HRM is in charge of creating a climate in which productive and harmonious relationships can be maintained (Armstrong, 2006). Human relations should place emphasis on the individual rather than on the end to be accomplished. In addition, human relations recognize the need for the satisfaction of certain wants and desires of the individuals. This recognition, in turn, suggests motivation as the indispensable element.

The question is: why human resource management should pay attention to OSC and its development? There are, at least, two reasons:

- It is the duty of human resource management to develop and update the human resources in the organization. By establishing networks and improving relations inside the organization, one can get the individual employees to share their knowledge and this way he/she does a better job.
- Another aim of human resource management is to retain the employees, especially key employees. Organizational social capital is a key indicator in predicting the rate of retention. In other words, social capital is a main driver in employee retention. Ron Burt has identified patterns of social capital that indicate, with a high probability, which will stay and who will go (Kerbs, 2008). Knowing who is in danger of leaving allows human resource management intervention before losing a key knowledge resource. Thus, organizations with a better stock of OSC have a much higher rate of retention (Ibid). Not only that, increased OSC and trust decrease the rate of employees' turnover (Boyas *et al.*, 2011).
- Many people aspire to achieve supervisory position. Some of them have demonstrated abilities which clearly indicate a capacity for the responsibility. Others represent borderline cases. If administrative competence of these people do not improve, it is anticipated that without further development, aspiration for better position weaken and they become dissatisfied or will go.

Based on what mentioned not only should HRM hire the best, but also connects them together and get them in touch; and that organizational social capital is a

sort of ability for HRM: the ability to find, utilize and combine the skills, knowledge and experience of others, inside and outside the organization (Kerbs, 2008). We believe that individual-level variables (i.e., ability and willingness) are one of the channels through which HRM can contribute to create and develop OSC and this way realizes its aims.

Proposition 2: Human resource management facilitates the creation of maintenance of OSC through influencing the individual qualities.

How to generate OSC: Leana and Van (1999) argued that employment practices, like selecting and recruiting ones who are interested in teamwork and value it, or compensation system that rewards teamwork, are mechanisms for forming OSC. In the same line, Pastoriza *et al.* (2009) also stated that positive structural context like compensation policies that reward group performance and cooperative behaviors can impact the OSC creation. Based on what mentioned up to now, we suggest that in the organization relations or OSC can be fostered and promoted through HRM practices which influence the individuals' characteristics or qualities. In other words, there are some critical points in the process of HRM through which the manager can create and foster OSC. These critical points are: selection, socialization, training intervention and performance appraisal and reward system. HRM can effectively facilitate the formation of OSC through these points or practices.

Selection: In this point, HRM can appraise and measure the two individual aspects of OSC, i.e., ability and willingness. Collective interviews can be arranged to measure applicants' ability and willingness to establish relationship. Situational interviews can also be used. Through these interviews, situations can be arranged in which the applicant's ability and willingness to set up a relation can be observed and judged (Dessler, 1999). EQ tests can be applied to evaluate the individuals' ability for building a relation, because people with higher emotional intelligence can build better relations (Saif, 2010). As noted by Fineman (2000), emotional intelligence as an organizational development tool is widely accepted among managers, consultants and practitioners as a means for solving problems and enhancing social capital. Therefore, emotional intelligence can be conceptualized as collateral for developing social capital (Brooks and Nafukho, 2006). It is much more important to measure the ability to communicate for jobs requiring strong social relations. Ability, especially in culturally diverse groups and organizations, that is necessary for interacting, building relationship and also trust is

cultural intelligence (Thomas *et al.*, 2008; Rockstuhl and Ng, 2008). Thus, the proper selection of employees is important to the successful operation of organizations. In addition, there must be a careful matching of the job requirement with the capabilities of the applicant.

Socialization: This is when people get familiar with values, norms and appropriate patterns of behavior of the organization and also learn how to act and what they are expected. This is exactly what Nahapiet and Goshal (1998) mention as the cognitive dimension of social capital. The impact of this practice on the creation of OSC is two fold: 1st, the process of socialization familiarizes the members with the organization's shared goals, shared values and norms and common language. These norms, like teamwork, shared learning, helping the others and subordinating personal desires to collective goals, generate OSC (Leana and Van, 1999) by motivating the organization's members to establish and develop relations, because social capital is a willingness to live by the norms of one's community (Bowles and Gintis, 2002). In fact, the shared norms are an important motivational source of forming social capital (Adler and Kwon, 2002), meaning these norms motivate the individuals to build relations with the others and help them which leads to the creation of OSC. Common language also provides organizational members with the ability to communicate more effectively (Bolino *et al.*, 2002). And 2nd, by socializing trust among the organization's members is promoted and broadened (Oh *et al.*, 2006). When the members trust each other, they are willing to share their resources with no concern (Tsai and Goshal, 1998). Thus, trust is a motivational source to generate OSC (Adler and Kwon, 2002). In general, this process, by generating cognitive similarity (Arregle *et al.*, 2007), makes the individuals motivated to establish relations with each other, to help the others and to share information.

Effective norm supported by internal and external sanctions can constitute a powerful form of social capital (Spellerberg, 2001). Obviously, the more there are shared visions among the members, the higher and better the stock of OSC is (Fine, 2001). It seems that the socializing process further affects the members' willingness to communicate. Management cannot afford unmindful of socialization influence within the organization. It has never been possible to remove social impacts from the organizations. When people are involved, social relationships and shared values accompany them.

Training: Fukuyama (2001) suggests that this is the area where governments have the greatest ability to generate social capital. Leana and Van (1999) also

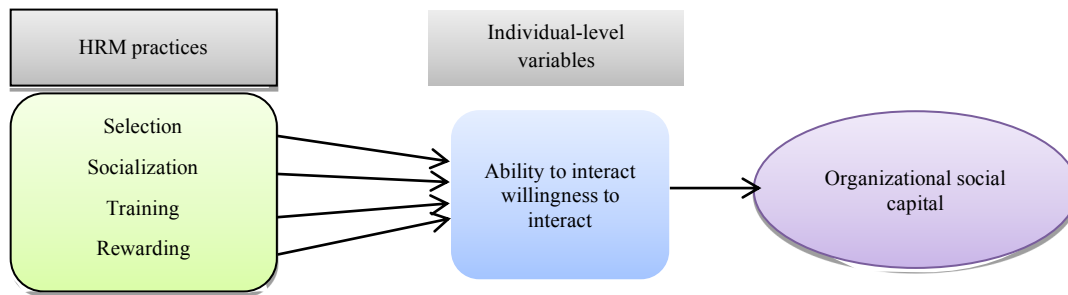


Fig. 1: How HRM generates OSC

suggest that the individuals' ability to form OSC can be boosted by training. So, the function of this stage is further to develop and broaden human or communication skills (Robbins, 1998). Two facets of training should be distinguished:

- Training content
- Training method

Training content reflects the fact that employees can be trained to listen to each other, to treat each other with respect and Organizational norms and trust can be trained (Dessler, 1999). As for training method, using methods like group learning have an effective impact on the formation and reinforcement of networks of trust (Fukuyama, 2001, 1997; Shaabani and Ahanchian, 2006). Using role playing method, the employees can be trained and showed how to communicate and solve communication problems (Saadat, 2007). Training courses on emotional intelligence could be held, because, as discussed above, people with higher emotional intelligence have a greater success in establishing relations.

Robbins (1998) suggests that to improve communication skills, it is better to use simulated programs rather than on the job training. The reason that these programs are effective is that problems associated with interpersonal relationships could be simulated and solved.

Performance appraisal and reward system: Human resource management can design a reward system that encourages the employees to take into account norms like subordinating individual urges to collective ones, cooperation, sympathy, help and sharing information. Therefore, this point influences the individuals' willingness to set up relationships. In fact, one's willingness to participate in collective action is partially dependent on the belief that individual efforts benefiting the whole directly will also benefit the individual indirectly (Leana and Van, 1999). For

instance, giving rewards for participating in collective actions, or rewarding those who help others affect one's willingness and motivation to communicate or interact. Fragile or instrument trust (as a component of OSC in Leana and Van Buren's model) is based on perceptions of immediate likelihood rewards. In other words, this type of trust will form if the organizational members obtain something, as a result of communication. This means that the individuals calculate their outputs and inputs while building relations. Thus, if they are compensated, they will be willing to form in-organization social relations.

In general, evaluation indicators and compensation policies based on group performance encourage the individuals' willingness consistent with OSC development, like willingness to share knowledge and to attempt to achieve collective goals. Promotion policies also affect willingness. The policies that value teamwork, group learning and the like make the employees communicate and interact and by extension, develop OSC. In Fig. 1 the ways in which HRM generate OSC is summarized.

DISCUSSION AND CONCLUSION

It must be noted that all the organizational members are responsible for creating and maintaining OSC, because this capital doesn't belong to a special person or group and that everybody should contribute to generate it. But, HRM, in particular, because of his/her position in the hierarchy and aims can take some important steps to generating OSC.

If HRM intends to manage their own organizational human resources, they must take care of OSC, because OSC is a means allowing HRM to find, to combine and to utilize individuals' knowledge and skills. Actually, traditional HRM jobs, like developing and retaining organizational knowledge resource, will be done in a more effective way if OSC is fostered. Hence, HRM should define, identify, map and develop OSC.

From OSC perspective, not only should HRM pay attention to individual factors, like individuals' knowledge and experience, but also take into account interpersonal factors, namely quality and quantity of relations or networks of social relations in the organization. OSC ought to be viewed as an investment that helps HRM with their responsibilities. Thus, taking actions like selection, socialization, training and rewarding based on group characteristics facilitate OSC creation, development and retention, through influencing the individual qualities. Despite ability and willingness, there are some other individual-level variables, like education level, age, sex and the like that impact OSC, but in this study we focused on ability and willingness because they can be more easily manipulated by HRM.

The role of HRM can't be limited to the 4 abovementioned points. For instance, job clarity can contribute to create OSC. So, HRM should take it into account while designing job, but it is beyond this study to discuss this. It should be mentioned that every step taken to generate OSC is moderated by stability (i.e., time), interdependence, interaction and closure. For example, stability and long term employment relationships create OSC.

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