

Chapter 1

Social Capital and Innovation: A Theoretical Perspective

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ABSTRACT

There is a considerable body of literature available to aid understanding of the concept of social capital and the identification of its presence. Overall objectives and mission of the chapter are to compile an up-to-date and academically grounded study providing a theoretical perspective taking into consideration the theories, concepts and processes in the area of social capital and innovation. The methodology used involves the construction of a conceptual framework regarding theories, concepts and processes. This involved a thematic analysis of social capital, innovation, and related concepts. The qualitative method for building the conceptual framework involved phenomena linked to the multidisciplinary body of work in the areas of social capital and innovation. The potential contribution of the chapter has been to bring together findings on the facets of social capital which are generally acknowledged to include trust, collaboration, cooperation, as well as bridging and bonding social network ties, and reciprocity, in terms of innovation.

INTRODUCTION

The concept of social capital has a considerable body of literature available to aid its understanding and the identification of its presence. Nevertheless, forms of social capital such as bonding and bridging social capital are less frequently explored in the literature. Research investigating social capital, especially its existence and the extent of its presence, often has a macro-scale focus (Lee and Law, 2017). Furthermore, social

DOI: 10.4018/978-1-5225-7721-8.ch001

capital as a concept is a comparatively recent addition to the regional economic and innovation literature. Facets of social capital are generally acknowledged to include trust, collaboration, cooperation, as well as bridging and bonding social network ties, and reciprocity. In this chapter, the concept of innovation will be broken down into its main components. The rationale for such disaggregation is to provide a basis for an in-depth analysis of innovation. The choice of components can be said to represent a spectrum of innovation activity from technology-based (traditionally measured) innovation through to hidden innovation and social innovation.

The overall objectives and mission of the chapter are to compile an up-to-date and academically grounded study providing a theoretical perspective taking into consideration the theories, concepts and processes in the area of Social Capital and Innovation. A fundamental linkage between social capital and innovation is purported by Putnam et al. (1993) in the statement ‘trust lubricates cooperation’, which clearly identifies the importance of trust as an enabler of co-operation. Beugelsdijke and van Schaik (2005) posit that higher levels of trust usually lead to higher levels of co-operation. A possible link is made by Rutten and Boekema (2007) and Shan et al (1994) who support the view that co-operation and collaboration are essential to the process of innovation. They consider social capital to play a vital role in the efficiency and effectiveness of co-operation and collaboration. Similarly, trust is considered by Fountain (1998) to be a prerequisite for effective collaboration. According to Rutten and Boekema (2007), social capital is a prerequisite for an efficient and effective process of innovation. In agreement with this, Tsai and Ghoshal’s (1998) research reveals a significant positive link between the social capital of a firm and its capability to innovate. Here, Landry et al. (2002) also consider social capital to be an influential factor in the decision to innovate or not and subsequently the radical nature of the innovation. Moreover, social capital may be considered to be a crucial element in an organisation’s bid to become more innovative (OECD/Eurostat, 2005). Consequently, it may be the case that trust through co-operation is also of importance to innovation. Furthermore, Landry et al. (2002) describe social capital as an ‘essential ingredient to understand innovation’.

The notion of trust being important to innovation has been explored by Murphy (2011). As stated by Putnam et al. (1993) and Beugelsdijk and van Schaik (2005) ‘co-operation breeds trust’. If this statement is true then co-operation and trust by mutually supporting and fostering one another may create a virtuous circle (Gordon and Cheah, 2014). Here, a virtuous circle may increasingly produce high levels of trust and co-operation. Rutten (2003) supports this proposition, stating that firms are more likely to co-operate with each other if they are in a high trust relationship. The rationale for this statement is the expectation by organizations of the benefits of working together. It has been asserted that increased levels of trust, as a consequence

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