

Chapter 5

Social Capital and Innovation Performance in Firms

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ABSTRACT

This chapter contributes to the debate on the conceptual differences and disparities in the definitions of social capital among researchers. It also delves into the potential influence of social capital on innovation performance of firms, which continues to fuel its misunderstanding in the literature. The study critically reviews, discusses and presents available literature on the concept of social capital and its subsequent influence on innovation performance. The methodology is an extensive review of available literature on the concepts and the possible link between them. The investigation provides a potential contribution to the debate on the relationship between social capital and innovation performance in firms as a way of direction and attempts to synthesize what academia considers with regard to the concepts and points out potential areas of research required to develop the overall subject area. The chapter offers a resource for practitioners and students in this new field which has attracted the attention of enterprise developers.

INTRODUCTION

Among social capital researchers, there is a metaphor that ‘people who do better are somehow better connected’ (Burt, 2001, p.202); even though in social network literature there is no clarity on what is meant by better connected and no clear indications of which network structures really generate new knowledge either (Pickernell et al., 2006; Pittaway et al., 2004). This statement may be supported in

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a study by Gonzalez-Brambila (2014) which indicates that one of the major direct benefits of social capital is quick and easy access to information; a vital ingredient for doing better. There is also a consensus that social capital is generally a public good and though inherently embedded not within the beneficiaries but between their relations with others (Noran, 2005; Adler and Kwon, 2002; Bourellos et al., 2012). Notably, within the literature, the concept is highly polarised and definitions either see it to be a form of relation that an individual has with other elements of society, it is considered an external phenomenon in network theory and inclined to the egocentric perspective of social network (Chenhall et al., 2010) or focus is on internal structural characteristics of an organization. The purpose of this chapter is to contribute to the debate on the conceptual differences and disparities in the definitions of social capital among researchers. It is also to delve into the potential of social capital on innovation performance of firms, which continues to fuel its misunderstanding in the literature (Adler and Kwon, 2002; Cohen and Fields, 2000; Murphy et al., 2015). The overall objectives and mission of the chapter are to critically review, discuss and present available literature on the concept of social capital and its subsequent influence on innovation performance of firms. This chapter therefore conducts a literature review that discusses the differences and disparities in the definitions of social capital and its relevance to firm performance. It also analyses social capital and its relation to performance. There is a focus on performance in general and innovation performance in particular.

BACKGROUND

The debate on the conceptual differences and disparities in the definitions of social capital among researchers continues to generate misunderstanding in the literature and the relevance to firms' performance and social impact still looks blurring to stakeholders and policy makers (Adler and Kwon, 2002; Cohen and Fields, 2000; Murphy et al., 2015). Of course, that has opened the social nature of firms to misconceptions and several interpretations to different schools of thought. For example, researchers in organizational theory continue to argue for a more socialised perspective of firms, insisting that organizations are social communities, the results of which goods and services are direct translations of people and expertise for innovation and economic benefit. They accuse critics of under-socialising the firm based on theoretical assumptions (Kogut and Zander 1992). Clearly, the other side of the debate persists on their view of firms, based on the concept of opportunism and market failures which is widely informed by the traditional models of the firm. In this sense, there is a suggestion for a more acceptable framework that incorporates all facets of the community as an aggregate capital that is critical for both scholars

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