



# No man is an island: Social and human capital in IT capacity building in the Maldives

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## Abstract

In many developing countries, lack of IT skills and human capital impede the potential of IT investments in organizations in developing countries [Lee, J. (2001). Education for technology readiness: Prospects for developing countries. *Journal of Human Development*, 2(1), 115–151]. This paper draws upon theories of human and social capital, and knowledge, to explain enablers/obstacles for knowledge creation and transfer for IT capacity building in a tourism organization in a developing country – the Maldives. IT capacity building is intimately linked to knowledge and skills at the level of human resource development. Using the Nahapiet and Ghoshal (1998) [Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, 23, 242–267] framework for the role of social capital in knowledge creation and transfer, we examine the major issues of IT capacity building for the case organization. We conclude that the role of cognitive capital is the most important for the tourism sector of the Maldives, and may play a vital role in accumulating structural and relational capital, together with appropriate government policies on ICT. © 2008 Published by Elsevier Ltd.

*Keywords:* Training; Human capital; Social capital; Knowledge management; IT and capacity building

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## 1. Introduction

While the literature shows some success stories of IT in developing countries, we often hear about IT initiatives that aim to bring positive outcomes but fail in some way (Avgerou

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& Walsham, 2000; Bhatnagar & Bjorn-Andersen, 1990; Bhatnagar & Odedra, 1992; Odedra-Straub, 1996; Odedra-Straub, Okot-Uma, & Cyranek, 1995; Silva & Figueroa, 2002).

One overriding factor that contributes to the unsuccessful adoption and implementation of IT in developing countries is a lack of IT awareness, skills and knowledge (Waema, 2002), and human capital (Lee, 2001). This lack of capacity to adopt new technologies restricts the technology absorption capability of a country (Lee, 2001). Lee argues that even when all countries have equal access to technology, the mismatch between skills, knowledge and technology would lead to a disparity in productivity. This is a human capital issue; human capital is strongly related to social capital, in that it is social capital within the family and community which enables human capital development (Coleman, 1988). It also follows then that IT capacity building – creating and enhancing the ability to use IT – is strongly related to issues of human and social capital in developing countries.

The purpose of this paper is to provide insights from a single case study of the Maldivian tourism sector, into the major issues of knowledge creation and transfer processes in that sector, and the role that social capital plays in facilitating those processes for IT capacity building. More specifically, the two research questions addressed in this paper are

- What are the major issues of knowledge creation and transfer in the tourism sector in the Maldives?
- What role does social capital play in facilitating the creation and transfer of knowledge in the Maldivian tourism sector?

The primary contribution of this paper is to analyze IT capacity building in private sector organizations in developing countries using the theoretical perspectives of social capital and knowledge. A secondary contribution is to provide one example of the role that social capital plays in facilitating knowledge creation and transfer for IT capacity building in a specific tourism organization in the Maldives, a nation facing major skills shortages in all sectors of the economy. This analysis can provide insights into a range of organizations in developing countries.

The paper is structured as follows. The next section discusses the role of human and social capital in knowledge creation and transfer for IT capacity building. Sections 3 and 4 provide details of the research setting and the methodology, followed by the details of the case study in Section 5. The case findings and discussion of knowledge issues and the role of social capital in facilitating those issues for IT capacity building are laid out in Sections 6 and 7. Finally, some conclusions are presented in Section 8.

## **2. Theoretical perspectives: Social capital in the creation and transfer of knowledge for IT capacity building**

### *2.1. Human and social capital*

For the purposes of this paper, human capital is defined as “the collective knowledge, skills, abilities and characteristics (that is, all of the capabilities combined) of an organization’s employees and managers that create a capacity (potential that can be realized) for competitive advantage” (Lengnick-Hall & Lengnick-Hall, 2003, p. 45). Whereas human capital resides in individuals, social capital resides in relationships (Côté, 2001). Social

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