International Journal of Hospitality Management 37 (2014) 99–110

Contents lists available at ScienceDirect

International Journal of Hospitality Management

journal homepage: www.elsevier.com/locate/ijhosman

Structural social capital and hotel performance: Is there a link?

Ruggero Sainaghi[a,*], Rodolfo Baggio[b,1]

[a] IULM University, Istituto di Economia e Marketing, via Carlo Bo, 1, I-20143 Milan, Italy
[b] Dondena Center for Research on Social Dynamics, Bocconi University, via Röntgen, 1, 20136 Milan, Italy

ARTICLE INFO

Keywords:
Structural social capital
Occupancy
Location
Seasonality
Performance

ABSTRACT

This paper attempts to fill three gaps how to: (i) operationalize the concept of structural social capital (SSC) for hotels; (ii) compare the effectiveness of different SSC measures at collective level; (iii) observe the ability of SSC to influence organizational performance.

Six hypotheses were tested using the Livigno (Italy) hotel sector (84 cases). The results suggest that SSC is the strongest positive determinant of hotel performance, compared with weaker and generally not significant relations linking occupancy and control variables (category, size, location). The work shows the multifaceted nature of SSC.

The topological network structure appears to be the powerful lever to manage seasonality for both well and poorly located hotels. In fact the correlation between SSC and performance is higher in off-peak periods. Findings confirm that social capital is a valuable asset, able to impact on performance. We conclude by identifying some research gaps.

1. Introduction

A firm's ability to survive and develop is closely related to the results it achieves. Actual performance outcomes are the test of any strategy, and performance improvement lies at the heart of strategic management (Sainaghi et al., 2013).

To achieve good results, hotels must manage a wide set of relationships useful to access resources and information (Nahapiet and Ghoshal, 1998), to complete their product with other local attractions (Sainaghi, 2006) and to sell their service (Xiang and Pan, 2011). Hotels are, therefore, embedded in a complex social system more often described as a network involving a large number of co-producing actors delivering a variety of products and services (Haugland et al., 2011).

For hotels located in a tourism destination, this network primarily includes relationships with other local companies, such as other lodging firms, but also a wide set of other organizations, including travel agencies and tour operators, cultural companies, entertainment firms, destination management organizations, local associations, etc. Relationships between firms are complex and may vary between collaboration (Arnaboldi and Spiller, 2011) and competition (Claver-Cortés et al., 2006).

Some sociologists suggest that organizational behaviors are closely embedded in networks of interpersonal relations (Granovetter, 1973, 1985) and discuss the concept of social capital (Coleman, 1988, 1990), as a factor able to influence firms' competitive advantage and performance (Podolny and Baron, 1997). Although important differences persist among scholars regarding what exactly social capital is (Adler and Kwon, 2002; Payne et al., 2011), a broad consensus is emerging that social capital is a valuable asset and that its value stems from the access to resources it engenders through an actor's social relationships (Granovetter, 1992).

Nahapiet and Ghoshal (1998) define social capital as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network (Bourdieu, 1986; Burt, 1992). These authors introduce the distinction between structural and relational social capital. The former refers to the overall pattern of connections between players (Burt, 1992). The most important facets of this dimension include the presence or absence of network ties between actors (Scott, 2000; Wasserman and Faust, 1994); network configuration (Krackhardt, 1992) or morphology (Tichy et al., 1979).

Researchers have examined social capital at multiple levels of analysis, primarily as it influences individual and collective outcomes (Payne et al., 2011). Studies focusing on the first stream have analyzed various outcomes such as compensation (Seibert et al., 2001), placement on a board of directors (Lester et al., 2008), knowledge creation (McFadyen and Cannella, 2004). Examples of papers

* Corresponding author. Tel.: +39 2 89141 2748; fax: +39 2 89141 2770.
E-mail addresses: ruggero.sainaghi@iulm.it (R. Sainaghi), rodolfo.baggio@unibocconi.it (R. Baggio).
[1] Tel.: +39 0258365437; fax: +39 0258365439.

0278-4319/$ – see front matter © 2013 Elsevier Ltd. All rights reserved.
http://dx.doi.org/10.1016/j.ijhm.2013.11.004

occurring at the collective level include entrepreneurship (Shane and Stuart, 2002), IPO failure (Fischer and Pollock, 2004) and firm competitiveness (Wu, 2008).

Despite a growing attention to describing the lodging environment as a social network and applying to it network metrics (Baggio et al., 2010a, 2011), there is a gap in hospitality literature in exploring social capital effects on hotel performance. Few papers have explored the potentiality of social capital (Brien and Smallman, 2011) and in these, focus is primarily on *individual* themes, such as contingent labor (Brien, 2010), education of hotel managers (Barros and Santos, 2009), intellectual capital (entrepreneurship) (Kalnins and Chung, 2006; Ramos-Rodríguez et al., 2012; Zhao et al., 2011), organizational trust (Brien et al., 2012), knowledge sharing (Kim et al., 2013), reactions of local residents to tourism development (Park et al., 2012).

Recently Zhao, Ritchie and Echtner concluded that: “the application of the social capital concept in tourism research is comparatively lacking” (2011, p. 1571). We may reinforce this conclusion, adding that these few studies focus largely on individual level. Therefore the relationship between social capital and hotel performance is completely unexplored.

But to contribute to fill this gap, a first problem relate to how to measure social capital. As aptly noticed by McGehee et al. (2010), the concept is difficult to operationalize. Jones (2005) refers to social capital as “a slippery concept” and assets that methodologies for measuring it are in their infancy.

Therefore, the first gap this paper attempts to fill is how to operationalize the concept of structural social capital (SSC) for hotels.

Since SSC explicitly refers to network structure, we use well-known network metrics in order to operationalize this concept.

SSC is described in literature as a multidimensional topic (Payne et al., 2011). This is not surprising because the structural dimension concerns the overall pattern of connections within a network of social relationships (Zhao et al., 2011). The most important facets of this dimension are the presence or the absence of network ties and network configuration. Ties in a social network are the source of social interaction or social exchange that is closely associated with the flow of information and resources (Coleman, 1988, 1990). Given the high number of indices that can be used to measure SSC, mainly represented by well-known network metrics (Baggio et al., 2010a), a second gap that this article contributes to filling, is the *effectiveness* of different SSC measures at collective level.

To fill this gap the study compares the ability of each measure to explain dependent variables and compare single measures with multiple metrics that combine more than one measure, in order to take into account the different aspects of the relevance of an actor in the system.

Lastly, SSC is described as a “capital”, able to produce result (Baker, 1990). Tourism papers that used social capital at individual level (see citations mentioned above) explicitly explore the ability of this concept to influence outcome.

In line with this stream of research, a third gap observes the ability of SSC to influence hotel performance. We use occupancy (transformed in a logarithmic scale) as a dependent variable.

2. Literature review

2.1. Network analysis and structural social capital

A network is a set of interconnected nodes (Burt, 1992). Network analysis, derived from graph theory, attempts to describe the structure of relations (displayed by links) between given entities (displayed by nodes). Network theory assumes that firms are embedded in an economic and social system where they and their stakeholders are likely to have direct relationships with one another (Rowley, 1997). From a quantitative point of view, network analysis is able to capture some characteristics of the entire network and to position organizations in the network structure (Shih, 2006).

The application of network analysis in the social sciences began in the first half of the 20th century (Barnes, 1952; Moreno, 1934; Simmel, 1908). These approaches emphasize that actors (nodes) are embedded in a set of social relationships which have a history, and this has an effect on the actions and responses of the organizations involved (Granovetter, 1985).

Social capital initially appeared in community research studies, showing its importance for people involved in networks of strong personal relationships developing over time, able to produce trust, cooperation and collective action in such communities (Jacobs, 1965). Loury (1977) reveals the importance of social capital in family relations and the community in educating young children. While a first stage of studies focuses attention on the ability of social capital to influence human capital (Coleman, 1988), more recently a stream of research explores the relationship between social capital and firm performance (Moran, 2005).

The central proposition of the social capital theory is that networks of relationships constitute a valuable resource for conducting social affairs, providing their members with “the collectivity-owned capital, a ‘credential’ which entitles them to credit, in the various senses of the word” (Bourdieu, 1986: 249).

There is no agreement in literature on what kind of network structure is “best” (Gargiulo and Benassi, 2000). On the one hand, Burt (1992) argues that the benefit of social capital stems from non-redundant ties (structural holes). Burt’s approach is strongly linked to Gronovetter’s (1973) seminal work on weak ties, which are more likely to act as bridges than strong ones. On the other hand, Coleman (1988, 1990) suggests that closed networks (i.e. redundant ties) facilitate the accrual of obligations and favor social cohesion. More recently Latora et al. (2012) suggest that social cohesion and structural holes are two sides of the same coin.

Some researchers (like Baker, 1990) define social capital limiting the term to only the structure of the relationship networks, whereas others, such as Bourdieu (1986, 1993), also include in their conceptualization the actual or potential resources which can be accessed through such networks. In this work we explicitly refer to Nahapiet and Goshal’s (1998) definition; according to this work, social capital is the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit.

As a set of resources rooted in relationships, social capital has many different dimensions (Putnam, 1995). Granovetter introduced the distinction between structural and relational social capital. Structural social capital refers to the impersonal configuration of linkages between people or units (Moran, 2005). For this reason this first concept refers to the network as a whole, for example in its configuration (Krackhardt, 1992) or morphology (Tichy et al., 1979).

Structural social capital’s (SSC) impact on performance has been studied at multiple levels, ranging from the individual and small groups (Burt, 1992) to larger organizations, including firms (Tsai and Ghoshal, 1998). With the growing importance of networks in the business world, the way in which SSC contributes to firm performance has attracted increasing attention (Arregle et al., 2007; Burt, 2007; Leana and Pil, 2006). Andersson et al. (2002) found a positive relationship, while Rowley et al. (2000) revealed a negative link.

Given the importance of this research topic and the divergent empirical results on the direct effects of SSC on performance in the existing literature, the findings of the current study are expected to enrich this pool of growing knowledge of the direct effects of SSC on firm performance.