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Multidimensional social capital as a boost or a bar to innovativeness

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ABSTRACT

Innovation does not only demand new ideas, financial resources and knowledge of supplier and user systems, but is also influenced by social capital which has an impact on the innovativeness in business networks. However, social capital is often vague, at times described as a "catch-all notion". In this paper definitions of social capital are suggested to support the management of innovation in networks. Three dimensions of social capital are applied in a case study of a regional strategic network – the socio-economic, the structural and the actor-oriented dimensions – while focusing on the last one. Data were collected at two points in time, at the start of the regional strategic network in 2004 and at the end of the project in 2010. The application of the concepts and the comparison between these two points in time highlight the influence of social capital and how it can hinder or be used to promote innovation processes.

1. Introduction

Globalization and the spread of market economy as a dominant governance structure increase the need for innovative business behavior (Carlsson & Stankiewicz, 1991; Cooke et al., 2011; Dosi, 1982). This requires knowledge both about the use of tangible and intangible resources, not least the management of business-to-business relationships (Ford & Håkansson, 2006; Gummesson, 2008; Kelly & Scott, 2012), and about network cooperation between firms (Achrol, 1997). Building on previous research on social capital we investigate the concept of social capital as it is used in network management and to what extent the concept is clear enough to be useful for innovation management. The conceptual framework is applied to a case study of a regional strategic network.

Social capital is a concept that captures the impact of human relations on economic activity (Barnes, 2001; Bathelt & Glückler, 2003; Boggs & Rantisi, 2003; Hauser, Tappiener, & Walde, 2007). Social capital can therefore be defined as a concept that represents immaterial assets and liabilities which influence the conditions for cooperation between individuals or firms. Camisón and Forés (2011) propose that the social capital approach generates new theoretical development regarding the knowledge process in firms and industrial districts. Huber (2009) makes a similar claim and points out that the role of social capital for regional innovation has been highlighted by several studies of the knowledge based economy (Capello & Faggian, 2005; Fromhold-Eisebith, 2004; Maskell, 2000; Tura & Harmaakorpi, 2005).

Schuller, Baron, and Fields (2005) claim that the discourse on social capital has been important to offset the under-socialized view of economic actors and in emphasizing the significance of social factors for economic development. Still, there are serious conceptual shortcomings in the literature, which obscure the causal role of social capital (Adler & Kwon, 2002; Huber, 2009; Taylor & Leonard, 2002). The predominant conceptualizations view social capital as a catch-all notion involving different sorts of social concepts (Huber, 2009). Differing data sources, sampling designs and wordings make a comparison between different studies within the discourse problematic. The empirical indicators are also too indirect and do not satisfactorily grasp the studied phenomena (Sabatini, 2007). Social capital remains a nebulous term and the causal mechanisms of specific dimensions are indefinable as long as social capital is treated as an undifferentiated mixture of social dimensions (Hauser et al., 2007).

However, a lot of empirical results within the research stream indicate that social capital can be clarified by distinguishing between several aspects or dimensions. The heterogeneity of the concept constitutes an important finding in itself. Hauser et al. (2007) believe that this heterogeneity has to be considered in future studies, and analyses of the concept social capital have to be conducted in a more focused fashion. An important question concerns the dimensions to be specified to facilitate the study and management of innovation.

Beugelsdijk and Van Schaik (2005) and Hauser et al. (2007) claim that only some dimensions of the concept social capital exhibit a positive relationship to innovation and regional economic growth. The components of social capital need to be better defined to support research on and management of innovation. Some researchers claim that several conceptual shortcomings have been generated by an analytical leap from the individual to the collectivity (DeFilippis, 2002; Portes, 2000). Huber (2009) proposes that a major reason for these conceptual

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shortcomings is the lack of understanding and inclusion of individual actors as an analytical factor. Mayntz (2004) makes a similar claim and maintains that social mechanisms are driven by lower-level actors and that such mechanisms are best understood from the individual actors' point of view.

Focusing solely on collective properties and collectivities makes the study of socio-cultural processes conceptually difficult (Huber, 2009; Markusen, 2003). Economic geography and regional studies have neglected the actor-oriented and network-based conceptualizations of social capital (Burt, 2005; Flap, 2002; Huber, 2009; Lin, 2002; Van Der Gaag & Snijders, 2003). Such a focus upon socio-economic and cognitive issues can therefore be considered to deflect attention from network structures and individual actors.

Cooke, Clifton, and Oleaga (2005) claim that only social capital on the firm level of analysis has shown strong effects on innovation and that “only weak evidence of a link between regional social capital and regional competitiveness” has been empirically proven. Huber (2009) states that a network-based conceptualization of social capital can be applied easily at a micro-level perspective of individuals, but it is a difficult task to shift the unit of analysis so as to incorporate collectivities such as economic clusters and regions. The “conceptual departure requires, however, more care and theoretical refinement than that displayed so far” regarding this analytical leap (Portes, 1998: 21). Similarly Ibarra, Kilduff, and Tsai (2005) argue that only few attempts have been made to link individuals and their networks to larger network systems. Abandoning wider generalizations of social capital on a community level in favor of a network and actor-centered conceptualization is thus in line with current research within the field.

Studying network formation on an actor level and linking this to the creation of social capital implies a more specific use of the term. Still, innovation is often explained as inherent and related to geographical proximity and shared cognitive culture (Coletti, 2010; Leenders & Gabbay, 1999; Putnam, 1993; Semitiel García, 2006). Talking about “learning regions” is thus common in innovation research (Florida, 2002; Hauser et al., 2007; Koschatzky & Kroll, 2007; Morgan, 1997). Finding a common denominator between actor-oriented conceptualizations and shared cognitive traits within geographical regions might help in making the concept social capital operative. Dividing social capital into different dimensions incorporating both cognitive cultures and network structures, and applying these dimensions in an empirical context, contributes to the usefulness of the concept in innovation management. By doing this we want to answer the call to search for common denominators that underlie and define social capital (Huber, 2009) and to reduce the worry that “social capital is treated as an undifferentiated mixture of multiple independent social dimensions” (Hauser et al., 2007).

Encouraging companies to collaborate in regional strategic networks (RSN) is a common strategy used by municipalities to promote innovation and regional growth in peripheral regions (Coletti, 2010; Cooke, 2007; Eklinder-Frick, 2011; Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009; Hallén & Lundberg, 2004; Sölvell, 2009). Local institutions act as intermediaries and play a relevant role in providing regional firms with new information and knowledge thereby supporting innovation (Camisón, 2004; Camisón & Forés, 2011; Evers, Gerke, & Menkhoff, 2010; He & Fallah, 2009). Arikan (2009) portrays a similar logic where inter-firm knowledge exchanges might get amplified in a cluster of firms, which in turn lay the foundation for innovation. Felzensztein, Gimmon, and Aqueveque (2012) call for “establishing new clusters and promoting more regional cluster policies since clustering seems to provide better and positive inter-firm interaction” which may “result in more innovative marketing strategies”. Sotarauta (2010: 387) similarly claims that “people responsible for regional development often understand fairly well the need to construct regional advantage and build clusters” and “what they have not been given much advice on, is how to do it”.

Social capital plays an important role in collaborative ventures (Capello & Faggian, 2005; Fromhold-Eisebith, 2004; Huber, 2009; Tura & Harmaakorpi, 2005). Hence, the failure to create a well-defined and functional definition of the construct (Hauser et al., 2007; Huber, 2009) will be detrimental to the creation of theory around managing an innovative RSN. The purpose of this paper is therefore to identify and describe dimensions of social capital derived from previous research and to create functional formulations of social capital that can be used to stimulate innovation in the business sector. In order to strengthen social capital as an analytic tool the identified dimensions are applied in the empirical context of a regional strategic network.

By providing stricter definitions of social capital we wish to clarify how social capital influences the innovativeness of a regional strategic network (RSN). The data collected allow a comparative analysis between two points in time highlighting the process of designing a regional strategic network.

2. Theoretical perspectives

2.1. Social capital

Crossing different levels of analysis is well in line with current arguments in the social network literature regarding the need to develop a multilevel understanding of inter-organizational networks (Contractor, Wasserman, & Faust, 2006; Hagedoorn, 2006; Slotte-Kock & Coviello, 2010). In an early contribution Granovetter (1973) attempts to relate micro-level interactions to macro-level patterns with an analysis of social networks. He points out that relationships between people can exhibit either frequent contacts or deep emotional involvement (close friends or strong ties), or sporadic interactions with low emotional commitment (loose acquaintances or weak ties) (Hauser et al., 2007). In this manner Granovetter (1973) links the traits of the individual actors' connections to the density of the whole network, but research investigating this relation has been sparse (Cooke et al., 2005).

Often researchers fail to define the concept of social capital clearly and incorporate a multitude of analytical levels without further problematizing their use of the concept. Based upon a comparison of different levels or dimensions of analysis (Table 1) we present three dimensions of analysis concerning social capital: the socio-economic dimension, where social capital is defined as being created within a geographical region by “citizens” (Maskell, 2000) and a specific “culture” (Coletti, 2010; Inglehart & Baker, 2000); the structural dimension, where social capital is being created within a network (Nahapiet & Ghoshal, 1998; Partanen & Möller, 2012; Putnam, 1995) as a product of the network's density (Burt, 1997; Lin, Huang, Lin, & Hsu, 2012), its structure (Bourdieu & Wacquant, 1992; Huber, 2009), and its evolution (Daskalaki, 2010; Tunisini & Bocconcelli, 2009); and the actor-oriented dimension, where social capital is being created by a single actor through the formation of weak or strong ties in order to gain access to other social actors' resources (Cousins, Handfield, Lawson, & Petersen, 2006; Granovetter, 1985; Knoke, 1999).

Westlund (2009) highlights the need to create a multilevel understanding regarding the use of the concept social capital. But instead of arguing for the need to connect the dyadic relations to the network structure he sees a need to incorporate the single actor and its networks within the socio-economic definition of the concept social capital. Westlund (2009) claims that a weakness in both Putnam's (1993, 2000) and Florida's (2002, 2005) hypotheses is that they ignore the social networks as well as the single actor in favor of a focus on solely socio-economic cultures.

Hauser et al. (2007) concur and claim that contemporary measures on social capital provide empirical indicators for analyses on a national or regional scale. Researchers therefore often “fail to point out the characteristics that shape an environment conducive to learning and knowledge transmission”. Hauser et al. (2007) state that the question “what turns an industrial cluster into a learning region” often remains