Journal of Business Research 64 (2011) 572–578

Contents lists available at ScienceDirect

Journal of Business Research

Measurement of organizational investments in social capital: The service employee perspective

Alexander E. Ellinger [a,*], Ayşe Banu Elmadağ Baş [b,1], Andrea D. Ellinger [c,2], Yu-Lin Wang [d,3], Daniel G. Bachrach [a,4]

[a] Department of Management and Marketing, University of Alabama, Tuscaloosa, AL 35487-0025, United States
[b] Department of Management Engineering, Istanbul Technical University, İşletme Mühendisliği Bölümü, Maçka 80680 İstanbul, Turkey
[c] Department of Human Resource Development and Technology, University of Texas at Tyler, 3900 University Blvd., HPR 226, Tyler, Texas 75799, United States
[d] Department of Business Administration, National Cheng Kung University, 1 University Road, Tainan City 701, Taiwan

ARTICLE INFO

Article history:
Received 1 January 2009
Received in revised form 1 March 2009
Accepted 1 June 2010

Keywords:
Social capital
Scale development
Scale validation
Service employee
Job satisfaction
Commitment to service quality

ABSTRACT

This paper describes the development and validation of a measure of organizational investments in social capital (OISC). The scale development process is carried out over three stages (item generation, scale purification, scale validation), with two separate data collection phases involving a total of 735 working adults from multiple and diverse service-related workplace settings. As such, the data provide evidence for the face, content, discriminant, convergent and nomological validity, dimensionality and reliability of the OISC measure. The OISC measure is a concise, unidimensional scale that has the potential for significant usage in the development and testing of theory, as well as practical application in retail and other service provision contexts.

1. Introduction

The development and maintenance of stronger connections between managers and employees – or "employee treatment" (Lusch et al., 2007) – is an increasingly important issue for retailers and other service provider organizations (Alexandrov et al., 2007; Marinova et al., 2008). Firms continue to lose customers primarily because of poor or indifferent service (Schultz, 2002; Zeithaml et al., 1996). Yet, studies indicate that customer service is heavily influenced by managerial interactions with service employees (Elmadag et al., 2008; Hartline and Ferrell, 1996). A current example of the influence of managerial behavior on retail employee service is that Home Depot's once celebrated customer service is currently ranked last among peer organizations by the American Customer Satisfaction Index after the previous CEO "alienated staff with a command-and-control style that focused on cutting costs over encouraging employees," (McGregor, 2009, p.54). However, retail and services marketing research continues to focus more on organizational and service employee interactions with customers than on manager–service employee relations (Rust, 2004).

The focus of the current research is on manager–service employee relations. A major foundational premise of service-dominant logic (Vargo and Lusch, 2004, 2008) is that the creation of customer value is highly dependent on masterful operant resources (Madhavaram and Hunt, 2008), or more specifically, on synergy between human and organizational capitals. In this way, the knowledge and skills of the employees that directly serve the firm's customers are complemented and reinforced by organizational culture and the implementation of behavioral norms that enhance both employee and organizational performances (Ellinger et al., 2008; Menguc and Auh, 2006). Madhavaram and Hunt's (2008) conceptualization of masterful operant resources is consistent with social capital theory and the notion of organizational investments in social capital — the focus of this study.

The essence of social capital theory is that inter-personal relationships are the key to success, and that fostering stronger connections within social networks by creating environments that promote trust, rapport and goodwill yields positive outcomes (Adler and Kwon, 2002; Nahapiet and Ghoshal, 1998; Putnam, 2000). Research studies consistently suggest that social capital plays a central role in the creation of workplaces conducive to employee development and retention (Dess and Shaw, 2001; Leana and van Buren, 1999; Seibert et al., 2001). However, although social capital is believed to favorably influence workplace environments, behavioral norms and values for effecting

* Corresponding author. Tel.: +1 205 348 8941.
E-mail addresses: aellinge@cba.ua.edu (A.E. Ellinger), elmadaga@itu.edu.tr (A.B.E. Baş), andrea_ellinger@uttyler.edu (A.D. Ellinger), ywang@mail.ncku.edu.tw (Y.-L. Wang), dbachrac@cba.au.edu (D.G. Bachrach).
[1] Tel.: +90 212 293 1300x2051.
[2] Tel.: +1 903 566 7310.
[3] Tel.: +886 627 57575x53325.
[4] Tel.: +1 205 348 8947.

0148-2963/$ – see front matter
doi:10.1016/j.jbusres.2010.06.008

such transformations require additional examination and measurement (Merlo et al., 2006; Oh et al., 2006). As stated by Prusak and Cohen (2001, p. 87), "knowing that healthy relationships help an organization thrive is one thing; making those relationships happen is quite another."

In their conceptual representation of organizational investments in social capital, Cohen and Prusak (2001, p. 3) describe social capital as the "relationships that make organizations work effectively." The authors contend that every managerial decision and action represents an opportunity for social capital investment or loss, and that investing in social capital by promoting trustworthiness, a sense of community, and stronger connections between managers and employees benefits firms by yielding returns similar to other, more tangible, forms of capital. Accordingly, the notion of organizational investments in social capital represents a relevant and potentially fruitful conduit for the development and maintenance of productive relationships between managers and employees in retail and other service provider industries.

On this basis, building on Cohen and Prusak's (2001) conceptual work, a new measure identified as organizational investments in social capital (OISC) is proposed. This study provides a brief discussion of social capital as an organizational resource, summarizes Cohen and Prusak's (2001) conceptualization of OISC, and then reports the results of the development and validation of a quantitative measure that extends Cohen and Prusak's earlier conceptual work. The nomological validity of the new OISC scale is also assessed. Correlations between employees' perceptions of their organizations' investments in social capital and critical work-related outcome variables are examined. Finally, suggestions for applying the new OISC measure in retail and other service provision contexts are offered.

2. Background

2.1. Social capital as an organizational resource

Social capital is "a set of informal values or norms shared among members of a group that permits cooperation among them" (Fukuyama, 1995, p.16). Social capital is an asset that provides opportunities for employees and groups to access information, knowledge, and resources extant in their social networks (Maurer and Ebers, 2006). The concept is examined in multiple contexts including national (Fukuyama, 1995), community (Putnam, 2000), organizational (Cohen and Prusak, 2001), and even between employees in retail store environments (Merlo et al., 2006). Recent studies that assess the strategic utility of social capital are attracting considerable attention as firms increasingly recognize that leveraging human capital (Hitt and Ireland, 2002; Huselid, 1995) and people management (Luthans and Youssef, 2004; Pfeffer and Veiga, 1999) can be significant sources of competitive advantage.

Drawing upon the resource-based view, Hitt and Ireland (2002) argue that *investing* in organizational members' social capital is equivalent to developing a strategic resource. From the standpoint of efficiency, social capital reduces transaction costs because trust mitigates the role of monitoring (Leana and van Buren, 1999). A recent empirical study shows that retail employee customer service orientation and store creativity are positively influenced by social capital (Merlo et al., 2006). These findings are consistent with those reported by other researchers that variously describe the work-related benefits that accrue to firms that focus on helping employees to forge productive work-related relationships (e.g., Dess and Shaw, 2001; Seibert et al., 2001). In summary, the extant literature indicates that social capital is inextricably linked to enhanced employee productivity and therefore, behavioral norms that promote social capital in the workplace are expected to contribute to firm competitiveness.

2.2. Organizational investments in social capital

Cohen and Prusak's (2001) representation of organizational investments in social capital represents perhaps the first discussion of specific managerial behavioral norms and values that promote social capital in business organizations. Their conceptual work develops a series of illustrative proscriptive steps associated with the notion of making investments in social capital. The authors argue that social capital is a rare and endangered resource that can contribute to every facet of organizational life and that its development should therefore be a top priority for organizational leaders. Thus, investing in social capital creates an environment where mutually beneficial relationships between employees and their organizations are nurtured. However, managers cannot engineer or mandate social capital. Rather, social capital must be enabled by the "kind of intervention that encourages natural development, that orients rather than orders, that provides nourishment rather than blueprints" (Prusak and Cohen, 2001, p. 93).

Cohen and Prusak's conceptual representation of the notion of making investments in social capital is based on extensive observations conducted over 15 years in multiple organizations including, the World Bank, Aventis Pharma, Alcoa, Russell Reynolds and the United States Postal Service. From these observations emerge a set of behavioral norms and values that represent "incremental, day-to-day investments in social capital" (Prusak and Cohen, 2001, p. 88).

Cohen and Prusak (2001) classify investments in social capital into three interrelated categories: making connections; enabling trust; and, fostering cooperation. *Making connections* encompasses behavioral norms and values that deepen collegial relationships, and create a strong sense of community. *Enabling trust* involves behavioral norms and values that give employees reasons to have confidence in the organization, instead of giving them reasons to respond to the organization and its representatives defensively. *Fostering cooperation* entails behavioral norms and values that encourage and reward collaborative, rather than individualistic efforts. Although Cohen and Prusak (2001) articulate three categories, they also point out that these categories are conceptually interdependent dimensions of investments in social capital, and therefore do not represent orthogonal domains of organizational or managerial activity.

3. Overview of scale development and validation process

The methodology used in the development and validation of the OISC scale reported in this study follows guidelines established by Churchill (1979) and Campbell and Fiske (1959). The scale development process was carried out over three distinct stages, with two separate data collection phases, involving a total of 735 respondents (327: calibration sample and 408: validation sample). The respondent pools were comprised of samples of full-time working adults from multiple organizations in a wide range of predominantly service industries.

In Stage 1 (item generation), an initial pool of items representing organizational investments in social capital (OISC) was generated for inclusion in the proposed measure. Subject matter experts (SMEs) reviewed a list of these items to assess their content and face validity. In Stage 2 (scale purification), an initial scale was administered to the calibration sample of 327 working adults via questionnaire. Their responses to the scale items were randomly split into two groups for replication purposes. Exploratory factor analysis (EFA) was conducted with the data from the first group of responses to evaluate the structural character of the pool of items. The data from the second group of responses was used to replicate the initial EFA, and to perform an initial confirmatory factor analysis (CFA). Based on the results from these analyses, a reduction of the item pool was undertaken. In Stage 3 (validation), a final version of the proposed measure was administered to a second group of 408 working adult respondents, and CFA was conducted to establish the reliability of the proposed measure. Finally, the convergent, discriminant, and nomological validities of the proposed OISC measure were assessed.