

# Social Capital, Knowledge Acquisition and Value-Creation for Business Performance

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## Abstract

This study examines the interrelationships among structural and relational dimensions of social capital, and patterns of knowledge acquisition and value-creation, using data collected from 208 managers and executives of Malaysian SMEs. Structural embeddedness is measured in terms of perceived ties, frequency of interactions, and time spent with networks. Relational embeddedness is evaluated with respect to closeness, personal familiarity, certainty, and confidence towards other network players. Both structural and relational embeddedness of social capital are related significantly to the extent of intra- and inter-organizational knowledge acquisition and value-creation, which in turn impact significantly on business performance. Findings suggest that employees of SMEs are emboldened by the provision of networking options that are relevant for creating and adding business value in the long term; and that organizational structures must be suitable for reaching external market contacts and absorbing external knowledge for organizational change.

**Key Words: Social capital, Knowledge acquisition, Value-creation, Business networks**

## 1. Introduction

Networks and network relationships are critical components of business management, entrepreneurship development, and entrepreneurial social process [1,2], because no business is an island [3, p.257]. Owing to their significant role as linking mechanisms in business, network relationships provide a social platform for entrepreneurship. For these reasons, it is important to examine business networks and relationships, considering their impact on the behavior of individuals, evolution and management of organizations, and business performance [4]. Given their central role in business, this study aims to examine the relationships among structural and relational dimensions of social capital, and patterns of knowledge acquisition and value-creation.

Relationships in business can be characterized as purposeful networks, consisting of specific roles and value interactions oriented toward the achievement of particular tasks or outcomes [5, p.5]. Active agents of networks participate by playing specific roles in which they convert both tangible and intangible assets into...