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The negative effects of social capital in organizations: A review and extension

ABSTRACT

Numerous studies have examined the positive effects of social capital in organizations, whereas the possible negative effects have attracted considerably less scholarly attention. To rectify this imbalance, this paper first undertakes a rigorous review of the published scholarly empirical evidence pertaining to the negative effects of social capital in organizations through a search of Web of Knowledge and Scopus, and then enumerates six potentially negative effects arising from increased levels of social capital. Our analysis focuses on negative effects arising from bonding social capital and those arising from dense networks and closure, advancing new theory to elucidate the generative mechanisms that give rise to the proposed negative effects. Finally, we identify potential moderators of the negative effects thus theorized. Using the lens of social identification theory, we argue that dysfunctional identification processes restrict the processing of information and stimulate over commitment to established relationships, diluting in turn the dialectical process, and inhibiting individual learning within organizations, culminating in groupthink, the postponement of structural adjustments, the non-rational escalation of commitment, and the blurring of firms' boundaries. Our analysis thus furthers the agenda of a more balanced inquiry into the effects of social capital in organizations.

Keywords: Social Capital, Social Identification, Groupthink, Organizational Learning, Structural Adjustment

INTRODUCTION

The notion of social capital (SC), first introduced by Coleman (1988), has attracted significant scholarly attention in recent years. The core insight of this body of work is that networks of relationships and connections constitute an important resource for the conduct of social affairs (Burt 1997; Kostova and Roth 2003; Nahapiet and Ghoshal 1998; Portes 1998; Uzzi 1996), affording their members, "collectivity-owned capital, a "credential" which entitles them to credit, in the various senses of the word" (Bourdieu 1986: 249). An impressive volume of evidence supports SC theory's central predictions (for recent overviews, see Kwon and Adler, 2014; Lee 2009; Portes and Vickstrom, 2011). Inter alia, higher levels of SC have been associated with: (a) greater career success and executive compensation (Belliveau, O'Reilly, and Wade 1996), (b) knowledge access, inter-unit resource exchange, and product innovation (Huggins 2010; Maurer, Bartsch, and Ebers 2011; Pittaway et al. 2004; Tsai and Ghosal 1998; Zheng 2010) and intellectual capital creation (Nahapiet and Ghoshal 1998), (c) the effectiveness of workgroups (Oh, Chung, and Labianca 2004), and (d) superior managerial (Moran 2005) and organizational (Acquaah 2007; Batjargal 2003) performance.

These achievements notwithstanding, the central message of this paper is that the contribution of SC theory to the analysis of behavior in organizations needs rethinking; for in parallel to the above advances, scholars have also identified a number of potentially serious negative effects (see, e.g., Adler and Kwon 2002; Kwon and Adler, 2014; Locke 1999). However, this antithetical work has lacked theoretical depth, relative to the substantial body of work examining the positive effects of SC. Accordingly, in this paper we set out to advance a more balanced account of SC, through a deeper consideration of its potential negative effects within and between organizations. Our analysis identifies six such effects, namely: (1) dilution of the dialectical process, (2) the inhibition of individual learning, (3) groupthink, (4) the postponement of structural adjustments, (5) the non-rational escalation of commitment, and (6) the blurring of firms' boundaries. We maintain that these negative effects arise from fundamental (dysfunctional) processes of social identification (Ashforth and Mael, 1989), restricting in turn the processing of new information by directing attention inward to selected aspects of the information

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environment. Our analysis thus deepens understanding of the generative mechanisms underpinning the potentially deleterious consequences of SC for organizations and in so doing, responds to recent calls to deepen understanding of the processes underpinning its development (Jordan and Munasib, 2006).

For the purposes of this review, we adopt Inkpen and Tsang's (2005, p. 151) definition of SC: "[the]aggregate of resources embedded within, available through, and derived from, the network of relationships possessed by an individual or organization." Within the confines of this definition, SC is characterized by a number of attributes, which, following Nahapiet and Ghoshal (1998), can be analyzed conveniently along three major dimensions, reflecting its structural, relational, and cognitive properties. The structural dimension refers to the overall pattern of connections among a given group of actors (Nahapiet and Ghoshal 1998). The relational dimension, in contrast, distinguishes the varieties of personal relationships identified by researchers and comprises trust, reciprocity, expectations, and obligations (Lee 2009; Nahapiet and Ghoshal 1998; Tsai and Ghoshal 1998). The cognitive dimension differentiates the resources that variously provide, "shared representations, interpretations, and systems of meaning among parties" (Nahapiet and Ghoshal 1998, p. 244). The bulk of recent work on SC in organization studies has been based on this three dimensional conceptualization (see, e.g., Inkpen and Tsang 2005; Tsai and Ghoshal 1998).

Scholars addressing the structural dimension distinguish the notions of closure (Coleman 1990) and structural holes (Burt 1992), highlighting respectively the value of close ties and interconnections among actors (often measured as network density) and the brokerage benefits derived from the bridging of gaps in the focal network. In a similar vein, Putnam (2000) distinguishes between bonding and bridging SC, the former referring to ties among actors who are members of the focal network, the latter to ties that interconnect actors from otherwise separate networks.

Recent research has sought to reconcile these differing views by demonstrating that the closure and structural holes perspectives are complementary and the benefits arising from the membership of dense networks are enhanced in the context of seeking to bridge structural holes (Rost 2011). In this review, however, we focus on the negative effects arising from dense networks and closure. Hence, we do not

address the structural holes perspective. In terms of Putnam's (2000) distinction between bridging and bonding SC, our focus is mainly on the latter. Higher levels of SC, as used subsequently in this paper, imply greater density and closure.

Prior research has documented evidence of a series of 'dark side' effects (e.g. Edelman et al. 2004; Locke 1999; Tura and Harmaakorpi 2005; Westlund and Bolton 2003) and several alternative perspectives, reviewed in the next section, have been advanced to account for them. Like Jordan and Munasib (2006), we maintain that the underlying processes that manifest these effects need better explication and we further this agenda using the lens of social identification theory (Ashforth and Mael 1989).

Social identification is said to occur whenever actors internalize a particular social identity; it entails the perception of being psychologically intertwined with the fate of the pertinent social unit(s) (e.g. group, organization, profession, industry, and/or country) with which the actor identifies (Ashforth and Mael 1989). Social identification promotes self-definition in terms of the social unit of identification (cf. Ashforth and Mael 1989). Identity researchers have conjectured that social identification can be thought of as a particularly potent form of SC (Haslam, Eggins, and Reynolds 2003). SC theorists have observed that social identification is an important facet of relational SC (Nahapiet and Ghoshal 1998). Frequent interactions and being embedded in a dense, high closure network can also facilitate identification processes (Ibarra, Kilduff, and Tsai 2005). Potentially, therefore, all three dimensions of SC (structural, relational, and cognitive) are underpinned by social identification processes.

Social identification theory is an especially attractive lens through which to examine dark side effects because it explicates clear bridging mechanisms that interconnect individuals and social structures (cf. Haslam, Eggins, and Reynolds 2003; Maghrabi, Oakley, and Nemati, 2013; Jensen and Jetten, 2015), an issue that requires more attention in the SC literature (Ibarra, Kilduff, and Tsai 2005; Kilduff and Krackhardt 1994). We maintain that social identification is the main generative mechanism that ties together the various negative effects highlighted in our review, directing actors' attention and restricting the processing and acceptance of potentially novel insights that would otherwise stymie those effects.

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Extant accounts have focused selectively on particular negative effects addressed in our review, treating them in a relatively superficial and disparate fashion rather than incorporating them into a more unified and integrated account of the sort attempted in the present paper.

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REVIEWING THE NEGATIVE EFFECTS

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Negative effects on economy and society

Over the past two decades a spate of scholarly papers in economics, psychology, sociology, and allied disciplines have examined the negative/dark side effects of SC on social and economic communities. In sociology, for example, Mclean (2007/8), citing Putnam (2000), a political scientist, argues that bonding SC has the potential to exclude people who don't belong to particular social entities. Arneil (2006) notes similarly the role played by bridging SC in enabling dominant groups to protect their self-interests, while Andrist (2008) highlights the deleterious consequences of SC in general in accentuating restrictions on women and diminishing their autonomy (see also Ganapati, 2013). At the country level Yoo and Lee (2009) observe that low trust societies such as Korea have recorded sound economic performance. Each of these developments points to the need for a reexamination of the basic premise of SC theory.

Social scientists and business and management scholars have advanced a range of perspectives in an attempt to account for SC's dark side effects on social and economic communities. Chief among these are Gabbay and Leenders's (1999) social liability argument, Grabher's (1993) cognitive lock-in assertion, Westlund and Bolton's (2003) notion of the entrepreneurship inhibiting role played by SC, Portes' (1998) blindness assertion, and Woolcock's (1998) homogeneous networking argument.

According to Gabbay and Leenders (1999), when a social structure impedes and restricts action, it becomes a social liability; in addition, negative ties in the prevailing social structure can limit opportunities. They thus caution that overinvestment in SC can result in negative returns.

Grabher (1993) studied the decline of iron and coal industries in the Ruhr region in the 1970s and 1980s, finding that close linkages between firms in the area prevented the flow of useful outside information, resulting in a 'cognitive lock-in'; firms fell prey to established modes of thinking and doing. Adaptation and innovation were incremental and no one raised fundamental questions that would have

highlighted the need for major, discontinuous innovation (see also Florida et al. 2002; Martinez and Aldrich 2011). In a similar vein, Westlund and Bolton (2003) argued that SC has an entrepreneurship inhibiting role, underscoring the need to diversify and reorganize region-bound SC, so that it can support innovation, through a balancing of strong and weak ties and internal and external links. Relatedly, Lee and Tuselmann (2013) have provided empirical support for the claim that bonding SC can inhibit entrepreneurship and innovation. Similarly, Fazio and Lavecchia (2013) have demonstrated empirically that path dependencies arising from 'proximity and trust' contribute to the formation of 'spatial traps', hindering regional economic development.

According to Portes (1998, P. 15), SC can yield four negative consequences: "exclusion of outsiders, excess claims on group members, restrictions on individual freedoms, and downward leveling norms." Woolcock (1998) notes that SC residing in homogeneous networks, such as those in the context of ethnic entrepreneurship (e.g. Koreans in Los Angeles), although beneficial during the early stages, helping new immigrants set up their businesses, can restrict the access of established network members to new networks and markets. Such restricted access, along with obligations to fellow network members, limits the growth of entrepreneurial ventures. Woolcock's analysis highlights the need for heterogeneity of connections in a given network, as a basis for mitigating these effects (see also Portes and Vickstrom, 2011).

Supporting evidence for each of the foregoing arguments in this section has been amassed in a large body of empirical work, especially work on regional SC (Foley and Edwards 1999; Grootaert 2001; Krishna and Shrader 2000; Malecki 2012; Staber 2007; Tura and Harmaakorpi 2005). The principal contribution of this body of work as a whole lies in highlighting a variety of interrelated negative consequences of SC accumulation for economy and society. However, as in the case of the growing body of work addressing SC's dark side effects in organizational settings, to which we now turn, the time is ripe for advancing a deeper understanding of the generative mechanisms underpinning those consequences.

Negative effects in organizational settings

In the organizational context, Locke (1999) identified a number of potentially serious flaws in SC theory. Arguing that a loss of objectivity results from the linking of business and social relationships, he maintains that actors become deeply embedded in extant networks, resulting in the exclusion of potentially beneficial new actors and ideas; furthermore, current theory negates the role of the individual in the knowledge creation process. Locke also challenges the causal connection proposed by Nahapiet and Ghosal (1998), whereby SC leads to intellectual capital. Rather, knowledge is discovered at the individual level, disseminated at the social level, and utilized and routinized at the organizational level (see also Edelman et al. 2004).

Adler and Kwon (2002) discuss the benefits and risks of SC. Distinguishing between risks for the focal actors and risks of negative externalities for the social network of which the focal firm is a constituent member they identify major risks in respect of the focal actor. First, building SC requires investment that might not prove cost efficient. Second, the power benefits might trade off against the information benefits. Third, the solidarity benefits might embed actors tightly into particular relationships or sets of relationships, restricting in turn the free flow of new ideas and innovations that are generated beyond the network, resulting in inertia and parochialism.

In recent years a growing number of scholars have examined empirically SC's negative effects in organizations. Table 1 summarizes the findings of studies documenting these dark side effects, based on a systematic search of the Web of knowledge and Scopus databases. Our search was confined to papers appearing in the period 2000-mid-2015 that incorporated 'social capital' in their titles. Using the ISI Social Science Citation Index (SSCI), we only included empirical papers discussing the negative consequences of SC that had appeared in the top 45 journals, as ranked on the basis of the two year impact factor in the 2011 business category. Several additional papers were included on the basis of a supplementary search using the Scopus database and peer recommendation (cf. Lee 2009). [1]

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[1] It is important to note that the present review, although extensive, does not purport to be comprehensive. Our initial searches were confined to papers appearing over the 2000-2012 period. However, in line with standard *IJMR* editorial policy, upon conditional acceptance with final minor revisions, we extended our search to incorporate the most relevant of those

Our analysis reveals several interesting and important patterns. Multiple studies have examined the deleterious consequences of various forms of SC on seven key dependent variables, namely: (1) innovation (de Clercq, Thongpapanl, and Dimov 2009; Edelman et al. 2004) and related processes of knowledge transfer and knowledge creation (Weber and Weber, 2011), (2) knowledge acquisition (Presutti, Boari, and Fratocchi 2007; Yli-Renko, Autio, and Sapienza 2001), (3) the development of dependence oriented and inward looking cultures (Eklinder-Frick, Eriksson, and Hallen, 2011; 2012; Gu, Hung, and Tse 2008; Warren, Dunfee, and Li 2004), (4) inertia (Gargiulo and Benassi 2000; Maurer and Ebers 2006), (5) firm performance (e.g. Batjargal, 2007; Godesiabois 2008; Malik, 2012; Rouzies and Hulland, 2014), (6) decision effectiveness (Jansen et al., 2011a, 2011b; Li et al., 2013;Warren, Dunfee, and Li, 2004), and (7) internationalization strategy (Chetty and Agndal, 2007; Lindstrand, Melen, and Nordman, 2011). A final group of studies (8), has addressed a wide range of miscellaneous problems, from the effects of social cohesion on the outcomes of open source software development projects (Singh, Tan, and Mookerjee, 2011), to the effects of social relationships on the value creation of firms (Molina-Morales and Martinez-Fernandez, 2010), to the moderating effects of low absorptive capacity in accentuating the negative effects of SC on the IPO value of firms (Xiong and Bharadwaj, 2011), among other topics. Each of the first seven topic categories contains multiple studies, spanning a diverse range of contexts and/or employing varying methods of data collection and analysis, whereas, with the notable

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publications that had appeared more recently, thus ensuring our review maintained its currency. To avoid 'an infinite regress', we undertook this final search employing the exact same search strategy as employed in our initial searches, save for the fact that we searched over the period 2013-mid-2015. However, the majority of new papers thus identified engaged only superficially with the SC literature and/or focused on topics beyond the scope of the present review (for representative examples of excluded papers, see Ahearne, Lam, and Kraus, 2014; Sundaramurthy, Pukthuanthonh, and Kor, 2014).

exception of the two studies examining the impact of SC on the relative career progression of women and men (Grugulis and Stoyanova, 2012; Lutter, 2015), the topics addressed by the work summarized within the miscellaneous category comprise a series of standalone studies. These variations limit researchers' ability to reach accumulated generalizable conclusions from the work encapsulated in each category.

In total, nine studies have addressed the negative effects of SC on the performance of firms. Contrary to conventional wisdom (cf. Naphiet & Ghoshal 1998), three of these studies (Acquaah and Appiah-Nkrumah, 2011; Godesiabois, 2008; Malik, 2012) have observed statistically significant linear negative relationships , while three other studies (Laursen, Masciarelli, and Prencipe 2012; Villena, Revilla and Choi, 2011; Yu and Chiu 2010) have identified inverted-U shaped relationships between SC and performance; that is, SC is beneficial initially, but after exceeding some threshold level, it acts as a constraining and restricting force. The remaining three studies (Batjargal, 2007; Rouzies and Hulland, 2014; Stam and Elfring, 2008) have observed significant moderating/interactive effects of particular aspects of SC on firm-level performance. In short, there is a great deal of variation of findings across what is clearly a small number of studies. The range of explanations posited for this diversity of findings is similarly varied, as is the range of contexts in which the studies were undertaken. Among the mechanisms that might account for this general unexpected series of results are overembeddedness (Laursen, Masciarelli, and Prencipe 2012), cost efficiency (Molina-Morales and Martinez-Fernandez 2010; Yu and Chiu 2010), inflexibility and lock-in (Molina-Morales and Martinez-Fernandez 2010; Villena, Revilla and Choi, 2011; Yu and Chiu 2010), and obligations and norms of reciprocity (Villena, Revilla and Choi, 2011).

A similar confounding of context, methods, and mechanisms plagues the studies falling within the other thematic categories, supporting our contention that it is difficult to reach meaningful accumulative conclusions, given the piecemeal and fragmented nature of the literature as a whole. Further illustrating the validity of this assertion, just three studies have examined the negative effects of SC, on innovation (de Clercq, Thongpapanl, and Dimov 2009; Edelman et al. 2004) and related processes of knowledge transfer and knowledge creation (Weber and Weber, 2011). Although the findings of this work overall

reinforce the concerns raised by Adler and Kwon (2002) that SC might restrict new ideas, thereby inhibiting innovation, as possible generative mechanisms, de Clercq, Thongpapanl, and Dimov (2009) discuss the potentially inhibiting role of excessive trust on constructive dialogue as a precursor to groupthink and the potentially amplifying role of social interaction on relationship conflict problems, whereas Edelman et al.'s (2004) analysis focuses on how dysfunctional intergroup processes arising from high levels of SC can serve as barriers to innovation. Weber and Weber (2011), in contrast, focus on the lock-in effects of SC on knowledge creation. Compounding these divergent foci, each study took place in a different country (Canada, the UK, and Germany, respectively), with marked variations in the number of participating firms across the three studies.

The above limitations point to the need for an overarching theoretical framework that pulls together the differing strands of empirical work summarized in Table 1 into a coherent whole. Several of the arguments advanced by Locke (1999) and Adler and Kwon (2002) coalesce around the notion that excessive SC can lead to a narrowing of attention and thus restrict access to new ideas. In addition, over-embeddedness and high levels of bonding SC are associated with over commitment to, and over-identification with, established relationships, resulting in structural and cognitive lock-ins, inflexibility, and limited adaptation. As shown in Table 1, the empirical literature provides support for each of these lines of reasoning. It has been found that over-embeddedness reduces the flow of new ideas into the group, resulting in parochialism and inertia (Garguilo and Benassi 1999). Powell and Smith-Doer (1994, p. 393) capture this succinctly as follows: "the ties that bind may also turn into the ties that blind." It has also been found that cohesive networks lead to less adaptation (Gargiulo and Benassi 2000) and create a dependence-oriented culture (Eklinder-Frick, Eriksson, and Hallen 2011).

Based on the studies outlined in Table 1, it can be seen that prior research has documented the roles of SC in limiting access to new information, resulting in structural and cognitive lock-ins, inflexibility, and restricting adaptation. An important theoretical omission, however, is the question as to how SC restricts information processing and adaptation and in so doing, generates the deleterious outcomes alluded to at the outset. Although scholars have sought to examine this issue (Garguilo and Benassi 2000;

Maurer and Ebers 2006), as outlined in the final column of Table 1, identification processes have attracted only limited attention to date in explaining the negative effects of SC, a surprising revelation, not least because, as indicated above, identification is arguably a fundamental process that is central to all three dimensions of SC.

In sum, a thorough consideration of identification processes has been missing from the literature pertaining to the negative effects of SC in organizational contexts. The remainder of the present paper contributes to this endeavor, by delineating the role of identification in generating six major negative effects. Two of these effects, dilution of dialectical process and groupthink, have attracted some attention in the SC literature to date (de Clercq, Thongpapanl, and Dimov 2009; Villena, Revilla and Choi, 2011). Our analysis deepens understanding of how these particular effects (and the four additional negative effects not considered hitherto) likely operate.

THEORIZING THE NEGATIVE EFFECTS

At the intra-organizational level, we maintain that information restriction, as a function of social identification processes, inhibits individual learning, diluting in turn the intra-organizational dialectical process, thereby inhibiting collective level learning, and, potentially, fueling groupthink. At the organizational level, these dysfunctional effects can result in the postponement of necessary structural adjustments and fuel the non-rational escalation of commitment to failing courses of action. These dark-side effects of social identification can also be observed at the interorganizational level, although the effect sizes are likely weaker. Finally, also at the interorganizational level, social identification can lead to a blurring of firms' boundaries. Our multi layered account, centered on social identification processes, thus links these various effects.

Dilution of the Dialectical Process

Knowledge based theories of the firm (e.g. Nonaka and Takeuchi 1995; Spender, 1996) are predicated on the assumption that knowledge creation is a dynamic, dialectical process, wherein knowledge emerges by reconciling contradictions (Nonaka and Toyama 2002). Organizational knowledge creation is based on the conversion of tacit knowledge into explicit knowledge, though some commentators disagree on this

aspect of the argument (cf. Hodgkinson, 2003; Tsoukas 2003). Other researchers conceive similarly organizational learning, a process related closely to organizational knowledge creation, as a process that occurs when attempting to resolve the tensions between actors' conflicting social worlds that inevitably arise in the workplace (Elkjaer 2005; Elkjaer and Huysman 2008).

SC, via social identification processes (i.e., primarily cognitive SC), constrains the clash between thesis and antithesis, promoting an adherence to extant collective belief systems, legitimated through authority structures within the organization. Structural SC that leads to cohesiveness and hinders the flow of information emanating from beyond the group (Wasserman and Faust 1994) and relational SC that engenders norms of obligation, commitment, and reciprocity (Nahapiet and Ghoshal, 1998; Villena, Revilla and Choi, 2011), can also promote adherence to extant belief systems. In so doing, SC in general acts as a constraint upon individuals. This argument finds support in Durkheim's ([1895] 1938) work, according to which 'social facts' (including collective representations) are experienced by individuals as constraints. Durkheim ([1902–3] 1961) compared these social constraints to walls, molds, or containers that keep gas from expanding in a vacuum. Martin (2002) employs this notion of constraint to measure the properties of a given belief system. When there is no constraint, individuals are free to believe anything they want and no one set of beliefs is more or less probable than another. As Martin (2002) points out, this Durkheimian vision implies that a constraint constitutes any concentration among the points representing individual beliefs in the space of all possible beliefs. Such concentrations arise from the fact that the arbitrary movement of individuals within the belief space has been reined in through a social process.

We employ this imagery to represent the set of beliefs held by individuals within a given organization or network. Our argument is that SC essentially functions as a constraint by imparting order and structure to the distribution of beliefs. As Cornelissen, Haslam, and Balmer (2007) note, a shared sense of group membership with another person promotes an 'expectation of agreement' with that person on issues that are relevant to their shared identity, motivating the parties to persevere to reach such agreement and coordinate their behavior with reference to the issues at hand. Hence, SC leads to a concentration of

points in the wider space of beliefs. Thesis and antithesis, the necessary conditions for synthesis, are more easily found in a formless distribution than in an ordered distribution. Hence, we maintain that, when actors over identify with their network partners, SC hampers synthesis, by impeding the generation of antitheses.

Network theorists have pointed out how interpersonal networks can, over time, produce strong norms and mutual identification among network members, limiting openness to new information and diverse views (Ibarra, Kilduff, and Tsai, 2005; Nahapiet and Ghoshal 1998). Researchers have also documented how social identification leads to group polarization, which means group norms are perceived as more stereotypically extreme (Mackie 1986). We infer that such polarization will lead to pressure to conform to the opinions of prototypical members of the group or network, an assertion supported by the finding that less powerful individuals in organizations are likely to feel pressure to accept the perspectives and viewpoints of individuals who are more powerful (Walker 1985). The proximity effect, whereby network interactions influence perceptions, also leads to a similar dynamic (Ibarra and Andrews 1993).

The foregoing arguments point to the conclusion that SC experienced as constraints imposes structure on thoughts and beliefs (theses), which, in turn, prevent the generation of antitheses, a necessary condition for syntheses. Social information processing theorists have emphasized that the beliefs of significant others are especially likely to influence focal individuals' attitudes (Salancik and Pfeffer 1978). It follows from this view that SC is likely to accentuate the deleterious selective processing effects of identification, in turn inhibiting the development of counterfactual thinking.

Beliefs are also socially influenced through shared sensemaking processes (Gioia 1986) that involve developing an understanding of shared events through interaction with other team members (Daft and Weick 1984). On the basis of this body of work as a whole, we reason that a significant danger posed by greater levels of SC is the fueling of confirmation bias (Jonas, Schulz-Hardt, Frey, and Thelen 2001). The structure imposed on beliefs by SC arising from membership of dense networks will inhibit the generation of counterfactual perspectives, antithesis generation will suffer, and the dialectical process will be impeded.

The above line of reasoning extends to interorganizational contexts (cf. Abrahamson and Fombrun 1994; Hodgkinson and Healey 2011a, 2011b, 2014; Lant and Phelps, 1999; Peteraf and Shanley, 1997; Spender, 1989). In times of increasing turbulence, navigating through dynamic environments requires the generation of new ideas often at odds with the received wisdom prevailing and their reconciliation with existing modes of thought and established practices, so that viable new strategies are developed. The role of SC in hampering this process is, we maintain, particularly consequential in dynamic environments.

Inhibition of Individual Learning within Organizations

Closely allied to the role played by high levels of SC in diluting the dialectical process is its role in inhibiting individual learning within organizations. The rationale for this assertion is based on social learning theory, an important theoretical anchor for explaining learning in organizations (Bandura 1986; Wood and Bandura 1989). According to this theory, social interactions constitute an important mechanism through which actors, as learning social beings, construct their understanding (Elkjaer 2003). Within organizations, actors continuously engage in sensemaking and in so doing create knowledge (Weick 1995). However, they do not learn solely through direct participation. They also learn vicariously by observing and then modeling the behavior of significant others, whose actions are variously rewarded and/or negatively reinforced (Bandura 1986). Hence, social imitation is an important aspect of social learning, distinguishing it from trial and error learning (Elkjaer 2003). The individual in social learning theory is a participant, both active and passive, in the social processes that constitute the everyday life of the organization. The organization provides the context and occasions for participants to interpret what is going on; in other words, the raw materials of knowledge creation (Elkjaer 2003; Richter 1998).

It follows from the social learning perspective that as actors become more deeply embedded in the extant social networks of their organizations, the extent to which they are exposed to new sources of information and ideas will diminish, thus limiting opportunities for learning. This claim finds support in the work of Nicolini and Meznar (1995), who argue that organizational members situated at the periphery of the organization may learn faster than members at its core. Peripheral members are socialized and embedded into the collective knowledge and belief systems of the focal organization less completely;

hence, they are more likely to appreciate the learning processes and sensemaking of adjacent communities, ones with divergent perspectives (DeFillippi and Ornstein 2003). This argument resonates with the notion of learning as a situated activity (Lave and Wenger, 1991), according to which the situated nature of learning operates through a process called legitimate peripheral participation. This notion captures the interactions between new comers and old timers, and the mechanism through which newcomers become incorporated into established communities of practice. Newcomers situated at the periphery of dense social networks enable learning because not having been socialized into the ways and modes of the community of practice, and thus being less ensconced in its prevailing dominant logic, they are more likely to see myopia in others and bring in fresh insights that are antithetical to the status quo views of established participants (Hodgkinson and Healy, 2011a; Hodgkinson and Sparrow 2002), thereby rejuvenating the dialectical process outlined in the previous section.

As noted earlier, through the proximity effect, whereby network interactions influence the perceptions of actors in close proximity (Ibarra and Andrews 1993), the dominant members of the network (i.e. actors with greater power, occupying centralized positions) can generate a consensus throughout the network as a whole (Ibarra, Kilduff, and Tsai 2005), not least because the less powerful members will likely feel pressure to accept the views of their more powerful counterparts (Walker 1985). The likely net effect of this process is that discrepant information will be discounted, thus limiting opportunities to learn. Scholars have noted that how individuals interpret issues affects their choices pertaining to the access of network resources (Bridwell-Mitchell and Lant, 2014). Here, too, excessively high levels of SC can lead to homogenization in the interpretation and utilization of resources, thereby impeding learning.

The foregoing analysis highlights the ways in which identification, in inhibiting learning in organizations, is structural, cognitive, and relational in nature, thus lending additional credence to our earlier claim that the generative effects of identification pertain to all three dimensions of SC. In addition to inhibiting learning by reducing exposure to divergent viewpoints, an excess of SC inhibits learning by creating conditions inimical to critical questioning. According to Argyris (1994), learning occurs in two forms: single loop and double loop. Single loop learning relies on simple, one dimensional questions to

elicit one-dimensional answers, whereas double loop learning seeks to question the questioner. It asks

questions about objective facts but also probes the reasons and motives behind those facts. The

mechanisms that inhibit double loop learning are both social and psychological.

Previous research has documented that social identification leads to social cohesiveness (Scott 1997)

and preferential treatment of in-group members (Tajfel and Turner, 1979, 1986) and more helpful

(prosocial) behaviors (Ashforth and Meal 1989). However, when taken to excess (i.e. when social

identification leads to an excess of cohesion and helpfulness) managers will likely avoid the deeper

questioning essential for learning, but which also creates problems and discomfort within the

organization. In so doing, they deprive employees and themselves of the opportunity to take responsibility

for their own behavior by striving to understand it (Argyris 1994). Hence, social identification, by

strengthening the process of avoiding uncomfortable questions out of consideration for others, constrains

double loop learning. In so doing, like dilution of dialectical process, discussed in the previous section, it

provides the antecedent conditions that give rise to groupthink.

Groupthink

Groupthink refers to, "a mode of thinking that people engage in when they are deeply involved in a

cohesive in-group, when the members' striving for unanimity override their motivation to realistically

appraise alternative courses of action….a deterioration of mental efficiency, reality testing and moral

judgment that results from in-group pressures" (Janis 1972: 9). According to Janis (1972, 1982) groups

experiencing groupthink reach poor decisions as a result of a strong concurrence-seeking tendency that

suppresses critical inquiry. Groupthink results typically in an incomplete survey of the objectives at hand,

poor information search, a limited discussion of too few alternatives, and a failure to examine the

significant costs and risks of the alternatives preferred.

Certain antecedent factors are likely to increase the likelihood that groupthink will occur, not least

group insulation, group homogeneity, high personal stress, overestimation of the group, closed

mindedness, pressures towards uniformity, short time constraints, recent failure, the lack of a tradition of

impartial leadership, and the lack of a tradition of methodical procedures (Janis, 1982). These factors lead

to information processing errors such as the ones described earlier, thus lowering the probability of favorable decision outcomes.

Increased SC, primarily relational and cognitive, is related to five of the antecedent factors described above. First, as argued earlier, SC, through the mechanism of social identification, imposes constraints on the thought space at hand and in so doing, generates pressure toward a *uniformity of beliefs*.

Secondly, research has documented that identity at the functional unit level is enhanced by similarity of group members in terms of their education, training, and goal orientations (Byrne 1971; Kramer 1998). Scott (1997) found that social identification of team members is negatively related to functional diversity. It follows that social identification, and as a consequence SC, is related to *group homogeneity*, one of the most significant antecedents of groupthink.

Thirdly, although bonding SC can promote the free flow of redundant information within networks (Tsai and Ghoshal 1998), as argued earlier, it also restricts the inflow of new information and ideas. Consequently, as bonding SC increases, the network will become more *insulated as an information processing unit*. Bonding SC also promotes concurrence seeking with prototypical members, limiting openness to outside information, thereby propelling the group toward a *closed mindset* (Woolcock 1998). Finally, as noted earlier, SC, through identification, leads to the polarization of group beliefs (Mackie 1986), which in turn leads members to *overestimate the powers of the group*. Especially in the context of other antecedent factors such as recent failures or time constraints, which are ubiquitous facts of existence in the modern corporate world, increased SC likely accentuates information processing errors characteristic of groupthink such as selective processing bias, omissions in surveying alternatives and objectives, poor information search, a failure to examine the costs and risks of preferred choices, and a failure to reconsider originally rejected alternatives (cf. Esser 1998).

Analyses of network structures support the above reasoning. As observed earlier, centrally located members, by virtue of closer proximity and greater power, are able to influence unduly the perceptions of wider network members, which in extremis can lead to unanimity of the sort characteristic of groupthink (cf. Ibarra and Andrews 1993; Walker 1985). Network ties are facilitated by similarity and homophily

(Milton and Westphal 2005), which again can generate perceptual homogeneity, thereby fuelling groupthink.

Once again, the errors mentioned above can occur both at the intra-organizational and interorganizational levels. At the intra-organizational level, for example, researchers have argued that groupthink played a role in the Challenger disaster (Moorhead, Ference, and Neck 1991) and, more recently, in the WorldCom accounting fraud (Scharff 2005). At the interorganizational level, groupthink has been found to undermine corporate communication initiatives (Ko 2005). Strategic groups theorists and researchers have also highlighted erroneous cognitive processes and outcomes akin to group think. Peteraf and Shanley (1997) have argued that strong identification within strategic groups often leads to interorganizational competitor blind spots, whereby potential or real competitors are not recognized or acknowledged. Empirical support for this proposition has been recorded (Porac, Thomas and Baden-Fuller, 1989; Reger and Huff 1993). Such blind spots have also been documented at the industry level (Abrahamson and Fombrun, 1994; Hodgkinson 2005; Zajac and Bazerman, 1991).

Although more recent research has cast doubt on some of the earlier arguments by Janis (1972) that groupthink played a role in Bay of Pigs invasion and military escalation of the Vietnam War (Kramer 1998), it is clear that the overwhelming weight of evidence surveyed above suggests that there are many organizational contexts in which groupthink does operate to undermine social information processing and decision making. In these circumstances, greater levels of SC arising from membership of dense networks likely exacerbate these effects, both within and across organizations, leading to poor decisions.

The Postponement of Structural Adjustments

Managers often use organizational restructuring as a tool for addressing their business problems. Organizational structures aligned to the demands of operations and markets enable companies to achieve cost efficiencies and service improvements. Hence, restructuring can be an effective way to address the challenges posed by political, economic, social, technological, legal and environmental changes. For example, many cement and paper manufacturers have redesigned their structures away from functionally-based organizations to regional profit-centers, in an attempt to optimize the tradeoff between selling low-

value commodities with high transport costs. Semiconductor companies, on the other hand, have evolved

into product-based organizations, thus enabling them to serve multiple geographic regions, without

having a local presence, by distributing their products through third-party suppliers (Galbraith 2002;

Oxman and Smith 2003). Restructuring can also be necessitated by organizational change and particular

stages of the organizational life-cycle are associated with particular structural characteristics and

management systems (Churchill and Lewis 1983; Miller and Friesen 1984; Olson and Terpstra 1992).

Although restructuring may be necessary, organizational responses are typically tempered by the

dominant logics prevailing (Prahald and Bettis 1986) and the operating rules and programs that govern

organizational activities (Cyert and March 1963). There is a dialectical tension between the forces of

inertia and stability on one hand and the forces of change on the other hand, the resolution of which

determines the extent and nature of change accomplished (Gordon, Stewart, Sweo, and Luker 2000).

Forces for persistence include extant strategic commitments and power distributions (Pfeffer 1981),

external stakeholder expectations (Hannan and Freeman 1984), and a host of psychological factors

influencing managerial interpretations (Milliken and Lant 1991). Our argument is that SC, too, acts as an

inertial force, impeding structural adjustments. The process by which SC hinders change is as follows.

Major structural transformations often provoke anxiety for the organization's employees and are

difficult to manage (Olson and Terpstra 1992), because they threaten the extant social identities of

managers and employees (Ashforth and Mael 1989; Scheepers and Ellemers 2005). Prior research has

noted that high levels of anxiety inhibit the ability of individuals to visualize new directions and accept

change that has effects on salient identities (Scheepers and Ellemers 2005). Structural changes are often

costly because formal structures define membership of the formal groups with which members identify, in

turn reinforcing the social sense of self. Hence, structural changes potentially undermine the ability of

individuals to manage their identity concerns, triggering strong ego defense mechanisms deep in the

limbic structures of the brain, which in turn breed active resistance (Hodgkinson and Healey 2011b,

2014). When contemplating structural adjustments, therefore, greater levels of SC, primarily cognitive

and relational SC, will render managers more sensitive to the social identity concerns pertaining to their

wider networks, in turn leading them to postpone such adjustments, thus detracting from organizational adaption (Abrahamson and Fombrun 1994; Hodgkinson and Healey 2011a, 2011b, 2014; Lant and Phelps, 1999; Peteraf and Shanley, 1997).

The Non-rational Escalation of Commitment

Escalation of commitment refers to the tendency to adhere to a particular course of action even in the face of negative information concerning the viability of that course of action (Staw, 1976, 1981). Among the prominent theories advanced to account for this phenomenon is self-justification theory (Staw 1976; Staw and Fox 1977), which posits that individuals escalate commitment in order to justify both to themselves and to significant others the rationality and "correctness" of their past decisions. We maintain that SC exacerbates the incidence of such self-justification through (over-) identification with the relevant in-group. In so doing, we link the psychological and social determinants of the non-rational escalation of commitment (cf. Schmidt and Calantone 2002; Staw and Ross, 1987; Wright and Goodwin, 1999). Our argument is that the basic mechanism of social identification triggers 'social justification', a concept which extends the notion of self-justification to the social domain. Social justification denotes the process whereby members of the in-group feel the need to justify their collective decisions to a wider audience (the out-group), a process that is heightened when the decisions in question have the potential to result in deleterious outcomes.

We illustrate the above argument in the context of new product introduction, where the prevalence of escalation has been recorded (Schmidt and Calantone 2002). While deciding whether to continue support for a new product or venture, if the manager leading the project reversed an earlier 'go-decision' that earlier decision might well be viewed as a 'poor' decision within the company, reflecting badly not only on the manager in question, but also on the entire group of employees who had invested psychologically in the project and who thus identified themselves with the project team. Hence, such a decision reversal would undermine the standing of the entire team within the wider organization (cf. Boulding, Morgan, and Staelin 1997). This is an important reason why some scholars (e.g. Staw, 1981) have argued that the

introduction of new decision makers at the time of stop/no stop decisions is the most effective method to reduce commitment to failing courses of action.

It has been noted that managers who initiate projects will be less likely to perceive them as failing and will thus be more likely to continue funding them than managers who assume leadership after the projects in question have commenced (Schmidt and Calantone 2002). Given the role of new decision makers in attenuating non-rational escalation, the presence of high levels of SC will hinder their effectiveness in two ways.

First, as demonstrated earlier, increased SC restricts the processing of new information pertinent to the problem at hand. In consequence, the decision making team as a whole will be more likely to hold highly similar views regarding the probability of the success of the new product, especially when the new leader is drawn from the center ground of the dense network encompassing the firm's managers.

Second, high levels of SC, primarily relational, will put subtle pressure on the new leader to justify the decision of the previous leader, in order to avoid undermining the past incumbent's position. In this way, 'social justification' arising from high levels of SC constrains one of the most effective methods of containing escalation of commitment.

Previous research has documented the role of social factors such as public identification with the project in question and public norms of consistency in leading to escalation of commitment (Staw and Ross, 1987). The deleterious effect of SC in this context merits further investigation. This additional mechanism might account better for the occurrence of escalation of commitment at the interorganizational level, as well as escalation within the organization.

The Blurring of Firms' Boundaries

Coase (1937) pointed out that one of the key roles of boundaries is in determining resource allocation within firms. When resource allocation decisions are influenced by entities outside of the firm, its boundaries get blurred, which in turn can have adverse consequences for decision making. Mullainathan (2001) has shown that vertically integrated firms are inwardly focused, holding capacity for internal demand and largely ignoring changes in external demand for their products. His study also finds

potentially inefficient allocation of resources by such firms. SC at the interorganizational level, through its effects in integrating firms along the supply chain, has the potential to detract from the decision making efficiency of the buying firm, via a similar dynamic of inward focus and inefficient resource allocation.

Social identification theory provides support for this line of reasoning. The concept of 'attitude importance' captures the "subjective sense of the concern, caring, and significance" an individual attaches to a particular attitude (Boninger, Berent, and Krosnick 1995, p.62). At the interorganizational level it has been suggested that social identification can be thought of as a particularly potent driver of attitude importance (cf. Haslam, Eggins, and Reynolds 2003). In a vertically integrated conglomerate, for example, when the members of partner firms identify with the wider network of organizations as a whole, they will attach attitude importance to preserving the SC that unites them and act accordingly. In such situations, decision makers will likely favor policies that are mutually beneficial to all of the organizational subunits concerned, seeking to optimize potentially conflicting priorities, rather than adopting choices that maximize the outcomes for some units at the expense of others. This assertion is supported by the finding in behavioral economics that cooperators place greater importance on fairness, whereas non-cooperators assign greater importance to self-interest, when confronted with changes to the prevailing scenario (Samuelson 1993). Actors' attitudes toward fairness inform resource allocation decisions that are not necessarily in the best interests of the focal firm. Peteraf and Shanley's (1997) theory of strategic group identity also supports this line of reasoning. Peteraf and Shanley employed social identification theory to account for the emergence of the strong identities that characterize any group of rival firms sufficiently recognized and attended to by managers to affect individual member firms' actions. Factors that lead to such a strong sense of identity among collectives of firms include closeness of geographical proximity, the presence of dense social networks that transcend organizational boundaries, and cooperative norms, all of which are essential components of the three dimensions of SC identified by Nahapiet and Ghoshal (1998). Strong identity leads to collective action among the group of firms in question, thus influencing the resource allocation decisions of the focal firm within the strategic

group. In addition to identification, norms of reciprocity, commitment, and obligations can also influence the resource allocation decisions of the focal firm.

Researchers have conjectured that the primary competition in the marketplace is not between pairs of firms but between networks of firms or between supply chains (Moller and Halinen 1999). A key danger as these sorts of organizational collectives amass greater levels of SC is that their constituent member firms could potentially over identify with one another, thus forming an in-group whose norms undermine innovation and change. Threatening events in the marketplace, such as changes in technology or aggressive moves by competitors, will be framed and perceived in terms that maintain an overall sense of strong group identity.

Price (1989) found that a news report emphasizing intergroup conflict led to polarized or exaggerated perceptions of in-group opinion, which in turn led to expressions of personal opinions consistent with those exaggerated perceived group norms. Extrapolating from this work, we conjecture such collective framing of issues across firms results in collective decisions that are different from those that might otherwise result from more individualistic assessments of emerging scenarios. Here, too, we find SC in the form of social identification mediating the effects of external influences on the decision processes of the focal firm, such that SC leads to an unhealthy blurring of the focal firm's boundaries.

The foregoing analysis demonstrates that a further danger for organizations seeking to amass SC is the consequential danger of the blurring of their external boundaries to the extent that the wider institutional networks in which they become embedded benefit the network at the expense of the focal firm (cf. Pfeffer and Salancik, 1978). Such network arrangements can also lead to decision biases, not least because managers choose to align their firms' future activities with the past, in an attempt to preserve SC, believing that their conservative actions will be perceived as fairer by their counterparts in their partner firms (Samuelson 1993).

THE ROLE OF MODERATORS

Several variables could moderate the relationships between SC and the deleterious intra- and interorganizational outcomes discussed above. In this section, we identify what we consider to be the most salient ones and offer future directions for the advancement of theory and research.

Participative Leadership

At the intra-organizational level, participative leadership aids the dialectical process, by promoting dialogue and debate within the organization, thereby fostering individual and collective learning. Participative leadership — defined by Somech (2006: 135) as "joint decision making, or at least shared influence in decision making, by a superior and his or her employees" (see also Koopman and Wierdsma 1998) — has been shown to moderate the relationship between team heterogeneity and team reflection, such that the relationship is stronger in teams characterized by participative leadership (Somech 2006). Team reflection entails behaviors such as debating, questioning, planning, exploratory learning, divertive exploration, and analyzing (West 1996). The cognitive processes associated with team reflection encourage team members to challenge each other on task-related issues, contributing in turn to constructive interactive practices (Simons, Pelled, and Smith 1999; Somech 2006; Tjosvold 1990). The process of challenging and questioning team members is an essential element of team reflection, vital to the generation of antitheses, which in turn are required to formulate syntheses. Hence, team reflection is central to the dialectical process discussed earlier.

Since participative leadership promotes team reflection, it follows that participative leadership influences positively both the dialectical process and individual and collective learning within organizations. It also follows that SC's negative effects on learning are likely to be stronger under lower levels of participative leadership; specifically, the theorized effects of SC on dilution of the dialectical process and inhibition of individual learning are likely to manifest themselves more strongly under such conditions. Under higher levels of participative leadership, in contrast, team reflection is encouraged and

the dialectical process required to promote individual and collective learning will likely occur irrespective of SC.[2]

Relative Capabilities of the Focal Firm

A second moderator that needs to be considered is the capabilities of the focal firm vis-à-vis its partners. Barney (1999) has noted how firms' capabilities affect boundary decisions. Arguing from a resourced based perspective, he points out that creating and acquiring capabilities is a costly process; opportunism and governance costs, the foundational concepts of transactions cost theory (Coase 1937), are not the only considerations that the firm should keep in mind. Factors such as historical context, social complexity, and path dependence need to be considered while creating capabilities in house, whereas strategic flexibility, the extent of diffusion of the capabilities of the target firm, and legal constraints need to be taken into account when seeking to acquire capabilities through mergers and acquisitions, strategic alliances and joint ventures. We infer that the boundary decisions of firms are determined, in part, by the capabilities of the focal firm relative to its potential partners. When it is feasible to acquire capabilities by means of partnerships, the boundaries of the firm are extended, whereas when capability development is not feasible by these means, its boundaries are drawn tighter. The latter situation will force the firm to develop its capabilities by recourse to the market. The capabilities of potential partners also affect the boundary decisions of the focal firm, in as much as the costs of forming such partnerships get built into the decision as to whether the focal firm should create the new capabilities desired in house, or acquire them externally.

Since the focal firm's capabilities influence its boundary decisions, they also moderate the effect of SC on the blurring of its boundaries. The strategy literature has noted that organizational networks are

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[2] From a dual-systems perspective (e.g. Lieberman, 2007), as argued by Healey, Vuori, and Hodgkinson, (2015), team reflection is necessary not only as a basis for challenging actors' explicit (reflective) mental models pertaining to the functioning of the organizational collectives to which they belong (e.g. their mental models of fellow team members' capabilities, the task environment, and the goals at hand), but also for challenging their implicit (reflexive) mental representations (especially implicit attitudes, subconscious goals, and implicit stereotypes) that can variously moderate the impact of those explicit representations, especially under conditions of acute time pressure and cognitive load. Consistent with the above line of reasoning, however, such negative effects are less likely under higher levels of participative leadership, which, by definition, will enhance team interaction and aid deliberation.

often characterized by power asymmetries (Subramani and Venkatraman 2003) and asymmetry in terms capabilities will contribute to such power asymmetries. When the focal firm has higher levels of capabilities relative to its partners, it enjoys greater power; accordingly, it is less likely to be influenced by those partners. Conversely, however, when the focal firm has lower capabilities relative to its partners, it is more susceptible to the latter's influence, irrespective of the level of SC. Hence, the effect of SC on the blurring of firms' boundaries is likely to be stronger when the focal firm enjoys greater relative power.

Transaction Specific Investments

Transaction specific investments (TSIs) are assets that have very little value outside a particular relationship (Williamson 1985). We maintain that the presence of TSIs moderates two of the negative effects of SC we have identified at the interorganizational level.

First, irrespective of whether they are physical assets or human assets, TSIs are generally dedicated to a particular supplier. Hence, their redeployment entails considerable switching costs (Erramilli and Rao 1993; Heide 1994), rendering more likely the postponement of major structural adjustments. In other words the effect of SC on the postponement of structural adjustments will be more pronounced in the absence of TSIs.

Second, TSIs increase buyers' dependence on the focal supplier (Ganesan 1994; John and Weitz 1989). It thus follows that higher levels of TSI could lower the negative effect of SC on the blurring of firms' boundaries, because TSIs create buyer dependence on the supplier, thus affording influence to the latter in respect of the former's decisions, irrespective of the level of SC. However, in the absence of TSIs, the foregoing theorized role of SC in blurring the firm's boundaries is likely to manifest more strongly.

Environmental Turbulence

Strategic choice theorists have suggested that constraining factors, including the external environment, play an important role in shaping strategic choice (Child 1972). Organizational fit theories, too, have underscored the necessity of coping with environmental change (McKee, Varadarajan, and Pride 1989; Miles and Snow 1978). Following this line of reasoning, we maintain that environmental

turbulence has a moderating effect on the links between SC and structural adjustment. Environmental turbulence is defined as "(1) high levels of inter-period change (in magnitude and/or direction) in the levels or values of key environmental variables, and (2) considerable uncertainty and unpredictability as to the future values of these variables" (Glazer and Weiss 1993, P. 510). Firms operating in highly turbulent environments will be more willing to impose the pain of structural adjustments on employees and partners, relative to those operating in more stable environments, because when environmental change is pervasive, frame-breaking, or difficult to predict, the organization must be capable of rapid change to survive (D'Aveni 1994). In these circumstances, piecemeal, incremental adaptation is inadequate. This argument is based on the notion that strategic decision makers mediate organization-environment interactions (Darren and Snow 1975). Empirical support for the assertion that environmental turbulence will lead to structural change is provided by Gordon et al. (2000), who found that turbulence is a precursor to strategic reorientation, operationalized in terms of changes in the organization to at least two of the following: organizational structure, the distribution of power, and the organization's control systems. It can be seen that all three aspects of strategic reorientation identified by Gordon et al. fall within the purview of structural adjustment, as discussed earlier.

As we have seen, with increased SC managers tend to postpone structural adjustments at both the interorganizational and the intra-organizational levels. When turbulence is high, managers are more likely to initiate structural changes because there is greater pressure to survive, irrespective of SC. When environmental turbulence is low, however, the process whereby SC inhibits structural adjustments, theorized earlier, is more likely to assert itself.

CONCLUDING REMARKS

In marked contrast with the prevailing emphasis in the management literature on the putative benefits of increased SC for individuals and organizations, this paper has identified several negative effects, at both the intra- and interorganizational levels of analysis, with a focus on the socio-cognitive mechanisms underpinning those effects. It has also proposed potential moderators of the deleterious effects thus identified. In so doing, it has contributed new theory to the emerging discourse on the dark side of SC in

organizational contexts. Accordingly, it will hopefully help to ensure that future work examining the nature and consequences of SC in organizational contexts adopts a more balanced perspective.

Through a review of various well-established concepts in social psychology, organization theory, and related literatures, we have advanced a series of generative mechanisms, centered on social identification processes, interconnecting individual organizational actors with the social structures in which they and their wider organizations are embedded (cf. Ibarra, Kilduff, and Tsai 2005; Kilduff and Krackhardt 1994). We have proposed that high levels of SC can result in: (1) dilution of the dialectical process, (2) the inhibition of individual (and collective) learning within organizations, (3) groupthink, (4) the postponement of structural adjustments, (5) the non-rational escalation of commitment to failing courses of action, and (6) the blurring of firms' boundaries. We have argued that these negative effects arise primarily from dysfunctional social identification processes that restrict the processing of pertinent new information. Finally, we have identified potential moderating effects of participative leadership, the relative capabilities of the focal firm, transaction specific investments, and environmental turbulence on the proposed deleterious consequences of increased SC.

Although in the course of developing our arguments we have alluded to which particular forms of SC (structural, relational, and cognitive) we consider most prominent in relation to specific lines of reasoning, we have refrained from a strict compartmentalization of the SC construct into its constituent dimensions, because, as argued at the outset, we see social identification, the primary mechanism through which the processes enumerated in the foregoing sections operate, as foundational to all three forms of SC (cf. Ibarra, Kilduff, and Tsai 2005; Kilduff and Corley 1999; Kilduff and Tsai 2003; Tsai and Ghoshal 1998).

Our analysis implies a linear progression of social identification processes leading to dilution of the dialectical process and inhibition of individual learning, in turn leading to groupthink and further resulting in the postponement of structural adjustments, non-rational escalation of commitment, and the blurring of organizational boundaries. We remain open, however, to the possibility of reciprocal causation, both among the various deleterious consequences of excessive SC accumulation we have identified, and in

terms of the links between identification processes and the outcomes in question. Mindful that identities are multiply determined (e.g. geographic, demographic, and relational factors can cause strong identities to emerge), our intention in this paper was merely to take the first steps toward the development of a more focused and integrative account of the more obvious negative effects resulting from the potentially dysfunctional (over-) identification processes that likely arise whenever there is an excess accumulation of SC in work-related contexts.

A major priority for future research is to test empirically each of the main and moderating effects we have advanced in this paper. Future research could also usefully theorize and test empirically additional potential moderators. Such an exercise would advance management and organization theory by enabling the development of more nuanced and fine-grained accounts of SC and its diverse effects within and between organizations. It would also contribute to practice by helping managers to become attuned to the negative effects of excessive SC accumulation under varying conditions, allowing them to take appropriate measures, as and when necessary, to mitigate the risks thus identified.

Going forward, SC theorists will need to integrate the well-documented positive effects of SC in organizational contexts with the negative ones we have identified in the present paper. The presence of positive and negative effects leads us to believe that there is an optimal level of SC in a given situation. Following the empirical findings reviewed earlier, we maintain that, up to a certain point, the initial gains derived from SC will outweigh the losses. However, at higher levels the negative effects theorized in this paper will assert themselves. Accordingly, the positive effects emphasized in the extant literature and the negative ones previously under-theorized, can be conceptualized as a series of functional relationships, each of which takes the form of an inverted-U shape. Of immediate interest is the relative magnitudes and position of the inflection points associated with each of these functions (for example, the curve depicting the relationship between SC and the inhibition of individual level learning and the one depicting the impact of SC on the postponement of structural adjustments). New empirical research is required in order to further inform this line of thinking before more specific inferences can be drawn. Another potentially fruitful direction for future research will be to examine how the balance or imbalance of positive and

negative ties in networks might drive the particular identity dynamics that shape variously the balance of positive and dark side outcomes of SC.

In conclusion, this paper has contributed much needed new theory to the literature on SC by first identifying several hitherto neglected potential negative effects of SC and then elucidating the socio-cognitive mechanisms underpinning those effects. Such a focus is appropriate at this juncture, as the bulk of the extant literature on SC has focused on its structural and relational aspects. We hope that by offering a more balanced, integrative view, the present contribution will stimulate the new wave of empirical work now required to further advance research and practice.

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Table 1. Summary of selected studies on the negative effects of social capital on key organizational processes and outcomes published between 2000 and 2015.

Key Themes and Authors (year of publication) [†]	Context/sample	Hypothesized mechanisms and effects	Major findings	Contribution to illuminating the generative mechanisms and focal effects addressed in the present review
Innovation and knowledge creation				
de Clercq, Thongpapanl, and Dimov (2009)	232 Canadian firms	Social interactions may amplify the negativity associated with relationship conflict and escalate the problem. Trust can also lead to less monitoring, and greater groupthink. Trust impedes debate and constructive discussion and there is a tendency to discount conflicting opinions.	Social interactions strengthen the negative relationship between relationship conflict and innovation. Trust weakens the positive relationship between task conflict and innovation.	Alludes to groupthink and dilution of the dialectical process.
Edelman et al. (2004)	Interviews with 16 managers in two U. K. firms	Organizational restructuring can leave holes in the network, which hampers the effectiveness of social capital. Cognitive social capital can create barriers between groups within the organization, which hampers problem-solving and innovation. Relational norms can create barriers for wider knowledge dissemination within the organization.	Social capital hinders problem-solving, innovation, creativity and knowledge dissemination.	Identification is implied when the barriers between groups are discussed.
Weber and Weber (2011)	12 corporate venture capital triads in Germany	Structural and personal lock-ins result in social liability. Structural lock-ins lead to inflexibility and dependence. Personal lock-ins can impede knowledge transfer and innovation.	Initially, social capital supports knowledge transfer and creation; but eventually, personal and structural lock-ins transform it into a liability.	N/A

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Knowledge acquisition				
Presutti, Boari, and Fratocchi (2007)	107 small hi-tech firms in Italy	Over embeddedness, and the consequent information redundancy can result in a negative relationship between cognitive/relational social capital and knowledge acquisition. When cognitive identification is high, monitoring diminishes, and this hinders the acquisition of new knowledge. Over embeddedness also leads to an absence of structural holes in the network, hindering the acquisition of new knowledge.	Relational and cognitive dimensions of social capital are negatively correlated with knowledge acquisition.	Brief mention of identification as an attribute of cognitive social capital
Yli-Renko, Autio, and Sapienza (2001)	180 hi-tech ventures in the U.K.	Relationship quality, a dimension of social capital, has a negative effect on knowledge acquisition, arising from over embeddedness. Also, high trust lowers the need to monitor, which negatively affects knowledge acquisition.	Relationship quality in key customer relationships negatively affects knowledge acquisition.	N/A
Dependence oriented/ inward looking culture				
Eklinder-Frick, Eriksson, and Hallen (2011, 2012)	Study of a Swedish regional strategic network	Bonding creates a dependency oriented culture and leads to low network mobility and inhibits the creation of new connections. Information flows beyond the focal network are restricted, resulting in failure to see networking as a marketing tool and creating a product focus.	Bonding over-embeds actors (firms) within their social context leading inter alia to dependence-oriented cultures, an internal product focus, and low network mobility.	N/A
Gu, Hung, and Tse (2008)	Senior managers in 282 Chinese firms	Guanxi can lead to overembeddedness, hindering the flow of new ideas, and generating collective blind spots. Obligations to others in the network can be constricting and cost inefficient. The inward	Alludes to the dark side of Guanxi. In the context of technological turbulence and competitive intensity,	N/A

		looking guanxi can be slow in accepting new members, resulting in lost opportunities with more capable partners.	Guanxi's positive effects weaken.	
Warren, Dunfee, and Li (2004)	Two studies in China among business school students(respective sample sizes N=203 and N=195)	Ingroup over-identification can result in several negative consequences for organizations, including obligations can be restricting and harmful; it excludes outgroups; also bribery, smuggling, and tax evasion. At the societal level, it can lead to monopolies, lack of competition, and lack of transparency.	Several of the negative ingroup effects hypothesized are supported. Guanxi has negative effects both for specific members and for the network as a whole.	Brief discussion of how relationship obligations and ingroup identification can lead to negative outcomes observed.

Inertia

Gargiulo and Benassi (2000)	Data from a special unit in an Italian subsidiary of an MNC in the computing industry	Cohesive networks hinder adaptation; creating norms of reciprocity. These norms reduce opportunities to create and develop new relationships. Inertial forces can perpetuate ties that might have outlived their utility. Ties can also lead to cognitive lock-ins. Cohesiveness reduces the ability to adapt the structure and composition of the network, as required to respond effectively to changes in the task environment.	Cohesive networks lead to less adaptation of the network by managers to suit the changes in their roles, in turn reducing horizontal cooperation.	N/A
Maurer and Ebers (2006)	Longitudinal case studies of six firms in the biotechnology industry	Inertia hinders adaptation to changing task and resource requirements. Social capital leads to rigidities that in turn become inertia. Rigidities arise from relational lock-in and cognitive lock-in. Obligations and norms of reciprocity constrain capacity and incentives for change. Intense interactions operate similarly. Shared identity and cognitive schemas limit learning and hinder the capability for change. Network density amplifies the negative effects thus theorized.	Social capital needs adaptation. When there is inertia, a firm's social capital can become liability.	Alludes to identification

Firm performance

Acquaah and Appiah-Nkrumah (2011)	Leading companies in Ghana	Provides a resource based interpretation. Politicians can demand favours (eg. employment of ill qualified people) which will diminish firm performance. Firm specific managerial experience brings the abilities/competences to utilize network resources to maximum advantage.	Social capital from politicians negatively affects firm performance.	N/A
Batjargal (2007)	Longitudinal study of 94 internet ventures in China	Habitual entrepreneurs are reluctant to exploit the opportunities provided by bridging social capital. They fear that they will be seen as manipulators. New entrepreneurs are less worried about this concern.	Interaction between start-up experience of entrepreneurs and the extent of their bridging social capital negatively affects the performance of the firm.	N/A
Godesiabois (2008)	Start-up venture capital (VC) firms and their co-investing relationships with other during the period 1980-2005	High embeddedness can lead to network closure effects, resulting in the enforcement of group norms that will constrain options available to the firm.	Social capital, by constraining options, negatively affects the performance of new firms.	N/A
Laursen, Masciarelli, and Prencipe (2012)	2000 Italian firms	Overembeddedness can arise from too much social capital. Identification of opportunities will be restricted to the local environment. Higher levels of reciprocity and obligation also will lead to a focus on local partners, thus restricting vision. Environmental scanning becomes limited in scope.	Localized potential social capital has a curvilinear relationship (inverted-U shaped) with involvement in foreign markets.	N/A
Malik (2012)	252 pharmaceutical firms	The quantity of ties matters more than the diversity of information in explaining the negative relationship between information diversity and performance.	Information diversity, a dimension of social capital, has a negative relationship with firm performance.	N/A

Rouzies and Hulland (2014)	203 employees in sales and marketing from 38 U.S. firms in the consumer packaged goods industry	Hypothesized that higher degrees of customer concentration will be associated with: a strengthening of the tie strength-firm performance relationship; a strengthening of the trust and cooperation-firm performance relationship; and a weakening of the shared vision-firm performance relationship.	Social capital can inhibit a firm's performance, depending on the extent to which its customers are concentrated, such that greater concentration levels will attenuate the relationship between cognitive social capital and performance.	N/A
Stam and Elfring (2008)	90 new ventures	Lack of access to novel information and pressure to conform to the norms and practices prevailing undermines organizational performance.	Network centrality can become a liability. When bridging ties are few, centrality attenuates the entrepreneurial orientation – performance relationship.	N/A
Villena, Revilla, and Choi (2011)	132 Spanish firms	Social capital can lead to rigidities. Groupthink is possible, due to a lack of challenging questions. Strong ties can lead to less monitoring, resulting in supplier opportunism. Strong ties create obligations and norms of reciprocity that lead to suboptimal decisions.	Social capital has an inverted curvilinear relationship with performance, in buyer-supplier interactions.	Brief mention of groupthink and the dilution of dialectical process.
Yu and Chiu (2010)	Firms belonging to the electronics industry in Taiwan	At very high levels of social capital, the cost of maintaining networks become high and might not yield returns; less flexibility to form new network connections.	Social capital has an inverted-U shaped relationship with firm level performance.	N/A
Decision effectiveness				
Jansen et al. (2011a)	434 strategic decisions in Dutch service sector SMEs.	The role of social capital as a decision aid. When the variety of connections is large, this can lead to gridlock. Evaluative judgments such as risk acceptance and confidence mediate, and in turn	Social capital undermines decision effectiveness in the manner hypothesized.	N/A

		explain, the negative impact of social capital on decision effectiveness.		
Jansen et al. (2011b)	565 Dutch small business owners, spanning 7 sectors	Further clarifies the role of social capital in strategic decision making in SMEs, from an information processing perspective.	There is a tradeoff between the level of central decision makers' experience and breadth of social capital in realizing decision effectiveness, such that either or both of these variables can be an asset or liability in respect of information processing efficiency and effectiveness, dependent on the extent to which the parties involved in implementation of the decision at hand are internally or externally based. When experience is an asset, breadth of social capital is a liability and vice versa.	N/A
Li, Wang, Huang, and Bai (2013)	Data gathered on the advice networks of 158 entrepreneurs in the high technology industry in mainland China	Empirical examination of the role of in-group identification in increasing the strength of ties, which in turn constrain decision making by promoting 'shared cognition', thereby inhibiting new business development.	In line with expectations, tie strength correlates positively decision making constraint, which in turn hinders new business development.	Drawing on self-categorization theory, social identification is posited as a mechanism underpinning the motivation of entrepreneurs to strengthen their ties with fellow

				network members.
Warren, Dunfee, and Li (2004)	See above	In addition to the effects noted above, in-group over-identification leads to suboptimal decision making.	Empirical support for the effect predicted.	As noted above, brief discussion of ingroup identification.

Internationalization

Chetty and Agndal (2007)	Qualitative study of 36 internationalizat-ion mode changes	Overembeddedness and feelings of obligations. Relationships are costly to maintain. Lack of commitment and opportunistic behaviour of close partners render social capital a liability.	Social capital liability influences changes in internationalization mode.	N/A
Lindstrand, Melen, and Nordman (2011)	Longitudinal cross-case study of 14 Swedish biotech SMEs	Primarily a structural analysis, which identifies negative effects that can be overcome by developing relational and cognitive social capital.	Social capital facilitates rapid industrialization; however, it can also hinder the development of firms' understanding of foreign markets.	N/A

Miscellaneous

Collins (2006)	Joint ventures among S & P 500 firms	Social capital generates behavioural expectations, which detract from the quality of decision-making of the focal firm. Reciprocity is the main behavioural expectation that causes the negative outcome.	Firms with strong ties within their network of joint ventures are more likely to engage in undesirable behaviours.	N/A
Grugulis and Stoyanova (2012)	Qualitative research in the context of U.K. TV and film industry	Social capital can discriminate against outgroup members, making it harder for minorities and women to secure jobs. These effects are stronger in less structured environments such as film and TV.	Social capital confines advantages to members of the network and creates barriers and disadvantages for non-members.	Identification is implied when ingroups and outgroups are discussed

Luk, Yau, Sin, Tse, Chow, and Lee (2008)	189 Chinese firms and 203 firms from Hong Kong	Institutional theory based arguments. Social capital has properties of a 'club good'. It favours the in-group, irrespective of its capabilities. This process is malignant as it fosters specific and particularised trust, leading in turn to social inequality. It is thus harmful to the society at large.	Evidence of malignant effects of social capital in a transition economy.	N/A
Lutter (2015)	Quantitative analysis of a large-scale longitudinal dataset (1929-2010) pertaining to the career profiles of circa 1 million performances by 97,657 film actors in the U.S. film industry, spanning 369,099 film productions	Argues that, when collaborating in cohesive teams, women incur a 'closure penalty', resulting in severe deleterious consequences for their careers. However, gender disadvantages are attenuated for women who build social capital in open networks with greater diversity and information flows.	Analysis of career survival models and interaction effects between gender and various indicators of social capital and information openness support the basic predictions, thus illuminating the boundary conditions under which particular types of social capital exacerbate or constrain gender differences in career advancement.	Alludes to gender homophilous networks as identity networks that undermine the position power of females relative to their male counterparts
Molina-Morales and Martinez-Fernandez (2010)	154 Spanish firms	Maintaining relationships is costly, reducing flexibility and creating lock-in. Also, firms with high levels of trust will have fewer new employees, will be set in their routines, and prone to complacency.	The intensity of social interactions and the level of trust have inverted-U shaped relationships with firm level value creation.	N/A

Pollock (2004)	U.S. IPOs in 1992	Lead underwriters occupy structural holes. Their embeddedness can affect their ability to manage IPO prices. When the conditions are good (i.e., demand is high) underwriters might repay prior favours, thus leading to underpricing (increased social capital affects price negatively), when demand for the offering is high.	Underwriters' embeddedness in networks of institutional investors leads to underpricing, when the demand for the IPO is high.	N/A
Singh, Tan, and Mookerjee (2011)	Longitudinal panel study of 2378 projects hosted at SourceForge	Too much internal cohesion can foster convergent thinking and overlooking of information that runs contrary to extant thought. Too much external cohesion can lead to information redundancy and discounting of information that goes against current thinking. Too much technological diversity of contacts can lead to difficulty in absorbing unfamiliar knowledge.	The relationship between external cohesion (cohesion among external contacts) and project success is an inverted-U shaped function. Moderate levels of external cohesion are associated with success.	Allusions to groupthink.
Xiao and Tsui (2007)	417 managers from four Chinese companies	Occupying structural holes and the consequent unclear group membership attracts disapproval; disadvantageous in a collectivist culture. This effect is more pronounced in high commitment organizations. Strong identification promotes cooperative behaviour.	Structural holes can be detrimental to employee rewards (salaries)	Brief mention of identification, i.e. not discussed in depth.
Xiong and Bharadwaj (2011)	177 IPOs	Relationships have a financially constraining effect, which can lead to the leakage of strategically important knowledge. Young firms can become dependent on alliance partners, which will inhibit their capability development. Focusing on relationships with a few key customers can limit the firm's vision and impede its competitive advantage.	In the absence of appropriate absorptive capacity, marketing and R&D B to B relationships have a negative financial consequence (IPO value).	N/A

[†] Studies are listed alphabetically within each theme on the basis of authorship.