

20. Social Capital and Human Resource Development (II) : Social Capital of Enterprises and Corporate Competitiveness in Korea

Young-Hyun Lee · Ahn-Kook Kim · Han-Gu Ryu · Mi-Ran Kim

The purpose of this study is twofold. The first is to measure the social capital and business performance of Korean enterprises. The second is to devise effective ways to develop social capital towards enhancing corporate competitiveness.

In order to achieve the above objectives the concept of an organization's social capital must first be defined. In this study, social capital has three dimensions: the structural (trust), the relational (network), and the perceptual (shared vision and values).

A survey was conducted and the responses were analyzed with the goal of determining the level of social capital and business performance of Korean companies. The sample group consisted of 100 for-profit organizations-mostly in either finance/insurance or business services sector. The survey team visited the companies to gather responses to four different types of questionnaires each designed for the HR manager, the employee representative, the team manager and the working-level staff. Respondent teams/departments were selected based on their significance in the company's business as well as their headcount. In general, departments that are key to the value creation, such as those responsible for R&D, planning and product development, with a manpower of more five people or more, were considered as a potential respondent. The survey was carried out over the course of nine weeks from July 16th to September 14th, 2007. This part of the work was outsourced to a professional research firm to ensure greater reliability of results.

The questions cover the three dimensions of social capital, namely the relational (trust), the structural (network), and the perceptual (shared vision and values), as well as the business performance as represented by, amongst others, knowledge activities, organizational commitment, labor-management cooperation and corporate efficiency. In addition to the above areas of focus, the questionnaires also deal with the company's management system and the general information about the firm.

The results were analyzed to gauge the impact that the company's management system - i.e. work organization, employment practices, organizational culture - has on social capital. Key structural factors affecting social capital include employee headcount, the number of years the company has been in business, the number of ranks in the corporate ladder and the degree to which a professional management system is established within the company.

Under the current employment practices, the level of social capital was found to be higher with more employment stability and less discrimination in the reward for individuals. Autonomy of the operating units that comprise the organization,

ease of communication, information sharing, and knowledge and information system appeared to have decisive influence on the level of social capital accumulated by Korean businesses. This implies that in creating social capital it is essential to empower the operating units, facilitate communication, establish knowledge and information system and foster information sharing.

Building upon the above findings, an in-depth analysis was made to identify the impact of social capital on organizational performance - namely knowledge activities, immersion in the organization, labor-management cooperation, and corporate efficiency.

The study found that an organization's social capital has material impact on knowledge-related activities, such as knowledge creation and sharing, and participation in learning. Trust, meanwhile, substantially affects the sharing of knowledge, which is also influenced by the internal network that is formed among the organization's members as they engage in work. The study results also showed that common vision and values have strong effect on learning while the degree of knowledge sharing had only limited impact on learning. Interestingly, the knowledge creation process in a business organization was most effective when the sharing of values and vision was mediated by learning. Trust and networking tended to have more immediate impact on the sharing of knowledge than on its creation.

The study also looked at the relationship between social capital and the degree of the individual's commitment in the organization, and found that often the one could explain the variation in the other. More specifically, the degree of meaningful sharing of vision and values appeared to have significant influence on the commitment dimension while level of trust and networking did not. This implies that if organizations seek to better engage their workers, their focus should be more on inducing them to see a common vision and values rather than on fostering networking and trust.

Another aspect the study dealt with was the correlation between social capital and labor-management cooperation. Trust and networking were found to have indirect impact - in other words, impact mediated by the system of performance recognition and information sharing, etc. - on the relationship between the employees and their management. However, the common vision and values variable may be considered to have more direct impact on the degree of labor-management cooperation. The results imply that the existence of a sound performance recognition system and fulfillment of promises made to the employees may contribute more directly to fostering productive labor relations.

Finally, the study examined the relationship between corporate efficiency and social capital. Efficiency was measured by a number of indicators, including growth in revenues, the company's place in the market, product quality and innovation initiatives. The measured efficiency was treated as a latent variable of human and social capital. Human capital was found to have significant and positive correlation with social capital, which in turn has significant and positive correlation with efficiency. However, the study could not confirm a direct impact of human capital on corporate efficiency. This finding is quite interesting in that it implies that social capital contributes more to efficiency than human capital, and as such a wealth of excellent human resources will not guarantee efficiency unless the organization also has ample social capital to support it.

Based on the above findings, the study makes a number recommendations for effective creation of social capital.

First, it is important to provide the opportunity for interaction and exchange amongst members of the organization. The management should help employees in one department get to know their colleagues in another by, for example, rotating the work responsibilities amongst employees in a business division or setting up a cross-functional committee. Moreover, the organization should provide the time and place for productive exchange between its members.

Secondly, the work organization should be designed to maximize flexibility. In an organization pursuing knowledge management and learning organization, the work organization should accommodate easy access and sharing of knowledge and information while expediting and supporting learning activities. To achieve this, the organization should reduce the overall steps in the hierarchy towards a more horizontal structure, at the same time fostering a network that links the different segments of the organization both horizontally and vertically.

Thirdly, employment stability makes cooperation amongst members possible, which ultimately contributes to the formation of internal social capital. When members of an organization can reasonably expect stable employment and thus to have lasting working relationships with his or her colleagues, than they are more inclined to help each other.

Fourthly, a rational organizational culture is essential. Establishing a shared vision and values requires democracy within the organization and recognition of individual differences and plurality. A prerequisite to fostering a culture of mutual trust in a company is to have a multilateral channel or forum for communication.

Finally, it is imperative to foster the use of knowledge and information system. One effective way to accumulate greater social capital is to encourage the employees within the organization to engage in cyber space.