Annotated Bibliography on the Business Value of Social Capital


- Japanese companies with domestic and foreign based R&D labs. Highlights some “dark sides” of social capital
- Social capital with the home base can prevent the foreign lab from connecting with its local resources.
- Cognitive social capital (shared paradigm) in the home corp. can cause the research from foreign labs to be ignored because its too new or strange.


- Abstract: “ A model for measuring a company’s performance helps all members- customers, suppliers, employees and community- understand and evaluate their contributions and expectations. By focusing on the secondary processes for achieving primary objectives, such as profit, the system provides a tool for monitoring implicit and explicit contractual relationships with stakeholders.”
- The study provides primary and secondary performance measures for various stakeholder groups:
  - for shareholders, primary measures include return on common shareholders’ investment, with secondary measures like revenue and expense growth, productivity, and capital, liquidity and asset quality ratios;
  - primary measures for customers are customer satisfaction and service quality, with surveys providing secondary measures;
  - for employees, employee commitment, competence and productivity are primary measures backed by opinion surveys, customer service indices and financial ratios;
  - for community stakeholders primary measures include public image and secondary measure are survey results.
- The focus and nature of the performance measurement system should be defined by the company’s strategic planning process.


- Abstract: “ A model of the interrelationship between a firm’s resources and its ability to sustain a competitive advantage is presented. The model assumes that a firm’s resources are
heterogeneous and immobile. A firm’s resources are the elements that allow it to implement strategies to improve efficiency and effectiveness, including assets, processes, and attributes. The indicators of the potential to sustain a competitive advantage include value, rareness, imitability, and substitutability. Resources must be valuable, rare, imperfectly imitable, and non-substitutable.”


- can reduce transaction costs by reducing the need for monitoring


- Abstract: “This study explored the effects of social capital, measured both absolutely and relatively, on CEO compensation in a sample of 61 CEO-compensation committee chairperson dyads. We controlled for variables representing economic, social comparison, and other social influence explanations for CEO compensation. Social similarity did not influence pay, but a chair’s absolute social capital and a CEO’s social capital relative to his or her chair’s significantly increased CEO compensation. The potential of social capital explanations to increase understanding of the executive wage-setting process beyond that derived from simple economic theories is discussed.”
- Implications for management include limiting CEO compensation by selecting compensation chairs of very high status.


- Abstract: “Little empirical work has been done on the effect of stakeholder management on corporate performance. In this study, we contributed to stakeholder theory development by (1) deriving two distinct stakeholder management models from extant research, (2) testing the descriptive accuracy of these models, and (3) including important variables from the strategy literature in the tested models. The results provide support for a strategic stakeholder management model but no support for an intrinsic stakeholder commitment model. Implications of these findings for management practice and future research are discussed.”
- Only two variables, good employee relationships and product safety/quality, were found to have a direct and positive impact on financial performance.
- Five variables, (i) employees, (ii) natural environment, (iii) diversity, (iv) customers/product safety, and (v) community were found to have moderating effects on the relationship between strategy and financial performance.
Future research directions include surveying motivations and intentions regarding strategy and stakeholder orientation to categorize firm commitment and to compare motives with actions; the understanding of firm-stakeholder relations will be enhanced by empirical studies concerning the role of trust.


- The author investigates how changing corporate control and management can affect corporate performance and outcomes; as the focus on traditional short term earnings is criticized, and the number of takeovers, restructuring and downsizing initiatives increases, increased attention is being placed on the importance of corporate governance.
- Current governance models do not maximize corporate resources and income potential; a finance model suggests that shareholders do not have sufficient control over management; a market myopia model explains that because of the unreliable nature of stock prices and their relation to value and performance, managers should ignore shareholder pressures.
- Corporations should maximize value for all stakeholders, and as such management decisions should take all groups into consideration when making decisions; suggestions concern including stakeholders on boards, giving stakeholders equity stake in the firm, and changing labour laws to encourage employee participation in decision making.


- Abstract: “Though key to fostering innovation, interpersonal exchanges of resources between R&D scientists across organizational boundaries can represent intellectual capital leaks. A grounded theoretical framework is developed for individual exchange decisions. Social capital emerges as the key success factor in this resources acquisition process. Strategic resources can only be exchanged under conditions of acquaintance and mutual trust. The economic interest of a scientist’s employing firm and personal consideration are intertwined.”
- Equitable exchanges, by allowing strategic resources to flow, and by limiting the possibility of opportunistic behaviour, are preferable over profitable relationships.
- Facilitated by the social capital of scientists, organizational learning is enhanced by the informal acquisition of external resources.
- With the importance of importing knowledge-based resources through informal connections with the wider scientific community, the relevance of the organization is challenged.
- Implications for management are two-fold: prohibiting exchanges for fear of leaks is prohibitive as it will in turn prevent the inflow of resources, and such measures are largely ineffective as most exchanges are informal and interpersonal; the cost of establishing
exchanges should be measured by the cost of resources flowing out, and reducing these costs can be achieved by educating scientists on competition, and market strategies.

- Management should encourage the formation of a diversified network of long-term relationships with specific external partners.


- Structural hole theory postulates that people, organizations and markets will have more profitable dealings with others if those that they are connected to are less well connected and organized.
- Analysis of industry reveals that higher profits are derived from markets with high structural autonomy and from transactions outside the market group that display many structural holes.
- With the exception of women and entry-rank men, managerial promotions increase as the number of connections to people with structural holes increases.
- Structural hole theory is applied to personality theory, the theory of the firm, the theory of population ecology and the theory of markets.


- Abstract: “I present arguments and evidence for a structural ecology of social capital that describes how the value of social capital to an individual is contingent on the number of people doing the same work. The information and control benefits of bridging the structural holes – or, disconnections between non-redundant contacts in a network – that constitute social capital are especially valuable to managers with few peers. Such managers do not have the guiding frame of reference for behaviour provided by numerous competitors, and the work they do does not have the legitimacy provided by numerous people doing the same kind of work. I use network and performance data on a probability sample of senior managers to show how the value of social capital, high on average for the managers, varies as a power function of the number of people doing the same work.”
- Social capital is defined purely in terms of structural measures, namely, as the inverse of the “network constraint index” which is:
  - Network size (larger networks are less constraining)
  - Density (networks of more strongly interconnected contacts are more constraining),
  - Hierarchy (networks in which all contacts are exclusively tied to a single dominant contact are more constraining)

Abstract: “Accumulating empirical evidence on American managers shows that social-capital effects on performance are a function of the information and control benefits of bridging structural holes – the disconnections between non-redundant contacts in a network. Is that network form of social capital unique to Americans? France seemed to us a productive site for comparative research because the image from past research is that French managers are more regulated than Americans; more regulated by bureaucratic authority and more regulated by peer pressure, with both amplified by the greater reliance in France on internal labour markets. People comfortable with knowing their place in a chain of bureaucratic control could be uncomfortable with the negotiated control exercised by network entrepreneurs, so the positive association between structural holes and performance in the United States could be negligible or even reversed for French managers.

We use network and performance data on two study populations of senior managers, one in France and one in the United States, to describe social capital similarities and differences between the populations. The network form of social capital is similar in the two populations: More successful French managers, like Americans, tend to have networks rich in structural holes. The French and American managers make similar distinctions between kinds of relationships. Relations that bridge structural holes are similarly detached from routine work activities for the French and the Americans. The interesting difference is that social capital develops differently in the two populations. The French managers operate with a less porous social boundary around their firm and associate negative emotions with bridge relations. Reinforcing Aix-en-Provence observations on the significance of adult education for Franco-German differences in organization, we find that exposure to peers in other firms via executive education is for our French managers the only factor positively associated with the social capital of bridge relationships.“


Abstract: “Corporate social performance demands that: 1. A company’s social responsibilities be assessed, 2. The social issues it must address be identified, and 3. A response philosophy be chosen. A model was developed in an attempt to articulate the key aspects in a conceptual framework that could be useful to academics and managers alike. The conceptual model aims to help clarify and integrate various definitional trends that have appeared in the literature. The model also presents the ideas of ethical and discretionary responsibilities in a context that is perhaps more palatable to those who believe economic considerations have disappeared in discussions of social responsibility. The model may be used 1. To help managers conceptualize the key issues in social performance, 2. To systematize thinking about social issues, and 3. To improve planning and diagnosis in the social performance plan.”

- Abstract: “There is an impressive history associated with the evolution of the concept and definition of corporate social responsibility (CSR). In this article, the author traces the evolution of the CSR construct beginning in the 1950’s, which marks the modern era of CSR. Definitions expanded during the 1960’s and proliferated during the 1970’s. In the 1980’s, there were fewer new definitions, more empirical research, and alternative themes began to mature. These alternative themes included corporate social performance (CSP), stakeholder theory, and business ethics theory. In the 1990’s CSR continues to serve as a core construct but yields to or is transformed into alternative thematic frameworks.”

- The work of Bowen (1953), Davis (1966, 1967), Frederick (1960), McGuire (1963) and Walton (1967) dominated the first attempts to define the concept of CSR.

- Johnson (1971), the Committee for Economic Development (1971), Davis (1973), Steiner (1971), Eells and Walton (1974), Sethi (1975), Preston and Post (1975) and Carroll (1977, 1979) contributed to the specificity and proliferation of definitions of CSR and alternative concepts such as corporate social responsiveness and performance.

- In the 1980’s leading research on CSR was performed by Jones (1980), Drucker (1984), Wartick and Cochran (1985), and Epstein (1987).

- The 1990’s saw an emphasis on operationalizing the concept of CSR, and the transformation of the concept into alternative theories.

- Going forward, attention will be increasingly centred on measurement initiatives.


- The effect of information technology on governments, markets and firms is explored, beginning with a historical outline of information technology development.

- The relationship between information technology and globalization is examined, with the rise of information technology and increased international trade in the 1970’s explained as responses to reduced profitability.

- The emergence of network enterprises is traced to the globalization of markets and a rate of change unsupportable by current bureaucratic structures.

- The impact of information technology on the workplace and employment is addressed, indicating that skill requirements must evolve toward more skill labor, and that labour market flexibility is related to increases in technology usage.

- Effects of electronic communication on culture and the spatial division of labour are investigated.

Abstract: “Silicon Valley is built on social capital, but it is social capital of a fundamentally different type from the concept of "deep civic management" that has come to dominate development theory and to influence policy. Social capital in Silicon Valley is best understood as performance-based trust. It emerges among economic and institutional actors in the pursuit of objectives related specifically to innovation and commercialization. In Silicon Valley, the sequence runs from performance to trust, not from community to trust, as the civic engagement theorists would have it. Silicon Valley is an open society - open to ideas, to institutions, and especially to people. Community-based trust implies a closed society. The openness of Silicon Valley to foreigners is one of the region's most valuable assets; it has also been the best social capital investment for the home countries.”

Elements of social capital differ in importance depending on the activities and industries involved; different kinds of industrial activity favour different industrial and social structures.

The social capital of Silicon Valley is not built on traditions of civic engagement, but is built by the interaction of economic and institutional forces and the formation of networks aligned in pursuit of competition and innovation; whereas Putnam postulates that future economic development is determined by the social architecture of the past, this view provides the basis for new economic development through policy initiatives.

Trust in the Silicon Valley is based on performance; the authors suggest that this form of social capital not based on civic engagement can be a more effective tool for economic development as it can be assembled quickly and incorporates a wide range of people and ideas, making it transferable to other locations.


- Provides insight into the causality between a company’s social atmosphere and its success.
- Social capital is defined as “the value inherent in human relationships and connections”, and explains how a collection of individuals becomes an organization.
- As knowledge sharing is increasingly important in business today, social capital has become critical to success; critical to the development of social capital is trust, and methods for building organizational trust are outlined.


- A theory linking the behaviour of individuals with organizational behaviour and society is provided.
- Components of the theory and an explanation of social systems behaviour, and the relationship between micro and macro levels of these systems is explained.
- The actions and relations of actors and resources, authority, rights, interest and trust is covered in Part 1.
• Systems of social exchange and the structure of actions, including social capital are discussed in Part 2.
• In Part 3 corporate action, and in Part 4 new social structures are investigated.
• The work concludes with a mathematical analysis of social theory.


• Abstract: “Outstanding companies are scrutinized in “Built to Last” to find the secrets of their success. The 18 companies are drawn from a wide range of industries, but all are durable (their average age is over 60) and profitable (their shares have done far better than the stock market generally since 1926). The authors argue that what marks these companies is not charismatic leadership (most have been led by unremarkable people) or even revolutionary products but a core ideology. This gives them a cult-like character. They transform their recruits into company clones (anybody who fails to conform is ruthlessly expelled). They promote almost exclusively from within and are contemptuous of management fads.”


• Abstract: “The paper explores the extent to which social capital is advantageous to small and medium enterprise (SME) growth. Social capital is a communal property involving civic engagement, associational membership, high trust, reliability and reciprocity in social networks. It is capable of being identified in social, political and economic contexts, often associated with strong communities. However, not all strong communities exert the effects of social capital in respect of business activities. This paper assesses government programs to promote collaboration amongst SMEs for improving innovation capacity by increasing social capital through networking. It shows that, for a sizeable proportion of program-funded firms in Denmark, Ireland and Wales (UK), social capital building was associated with enhanced business, knowledge and innovation performance. Of particular importance was the opportunity afforded to firms for linkage with external innovation networks, and the build-up of embeddedness, or the institutional basis for the enhancement of social capital. As a consequence of discovering the advantages of social capital, over a third of respondents planned to continue to develop it in future, in many cases funding such activities privately rather than calling on the public purse.”

• A social network that’s too cohesive in the sense of fewer external ties to other networks can impede getting things done.

• The authors introduce the concept of “crisscrossing”, a type of heterogeneity in which actors belong to two different categories instead of the categories being more correlated (e.g., correlated is when all the Catholics are working class and all the Protestants are bourgeoisie; crisscrossing is when there are just as many bourgeoisie Catholics as working class Catholics). They introduce formulae developed by Hendrik Flap. They combine the utility functions for social capital (ability to call in favours in future), transaction costs, “honour” (i.e., respect of in-group peers vis a vis norm following), and likelihood of success vs. failure. The values of the utilities change dramatically depending on how segmented vs. crisscrossed the society is.

• In a crisscrossed society, conflict is more likely to be solved by mediation because so many people have affiliations across the two groups at odds that transaction costs are lower and loyalties (i.e., obligations to fight with one side) are divided. The obligations arise from the social capital shared with each side. But since neutral people don’t have all their social capital on one side of the fence, they are less likely to respond to calls to reciprocate the trust that has been extended to them by that side. Instead they opt to mediate.

• Negotiation is more likely when there is more crisscrossing in society (i.e., the social capital of individuals is spread out across multiple interest groups).


• Henk summarizes the literature saying that social network analysis was advancing technically but wandering theoretically because no one could identify any pure structural effects upon which to hang a theory.

• One of the key concepts that distinguishes social capital from ordinary theories of socio-economic exchange is the idea of “generalized reciprocity” (Sahlins, 1965)

• The dynamics of generalized reciprocity include the development of reputation, particularly regarding probability of repaying the group (e.g., free rider reputation); Discount rate to the present value of future help; Later pay-offs are valued less; Chances of meeting again decline as future extends; Non-simultaneous exchange increases free-rider risk; therefore: generalized reciprocity is possible only if the “shadow of the shared future” (Axelrod, 1984) is long enough.

• Several authors are concerned with the distribution of social capital in the general population (e.g., Putnam, 1995b; Meier, 1996; Boisjoly, Duncan & Hoffert, 1995). “The general point these authors seem to make is that the existence of alternative solutions to the question of how to achieve well-being might devalue social capital. Examples are that, with television absorbing 40% of the average American leisure time, people do not need each other any more for company and entertainment; and that welfare provisions eliminate a number of risks against which people formerly tried to insure themselves by engaging in family and community networks. Time-budget studies show that in the US there is less informal socializing nowadays than twenty years ago, especially by married non-employed women.
These sparser contacts are, Putnam argues, not the result of greater time pressure or the rise of two-career families.” (p. 13-14)

- “Measurements will have to take into account the multi-dimensional nature of social capital. A standardized as well as flexible instrument for measuring social capital will guarantee data-quality as well as comparability with other network research.” (p.21).


- Sustainable business can only be achieved by adopting a ‘triple bottom line’ that incorporates wealth creation, environmental sensitivity and social equity.
- Although it has not been shown to produce financial advantage, businesses can no longer ignore issues of social equity as the public is increasingly concerned with these issues.
-Outlined are seven revolutions for sustainable, included amongst them are transparency, values, technology life cycle and corporate governance; key actions for CEO’s are suggested.


- The author writes that a firm’s reputation is one of its most valuable assets, and outlines the elements of trust, how it is valued, and how it can be created sustained, enhanced and changed.
- Trust, credibility, pride, quality, service and a customer orientation are key elements of reputation.
- A strong reputation is built on a unique corporate identity with distinguishable values and principles; strong organizational leadership is also essential to creating and managing a good reputation.


- Part One: The Great Disruption: Presents plenty of evidence for a breakdown in social norms, (i.e. Illegitimacy, crime, divorce, surveys showing decline in trust in government – World Values Survey).
- With information revolution, the existing relations that our social capital is embedded in (e.g., nuclear family) are being disrupted.
- Spends some time on how to define and measure social capital; No new measures, but new criterion is that it must measure the *radius of trust* – how large is the circle of trustworthy people? Is it only the family? Is it strangers from the same society? Is it just one’s ethnic group?
• Pre-conditions include repeated interaction and anticipated future interaction so that reputation can develop. This creates self-emergent norms, even in game theory simulations.
• Distinction between formal hierarchy and informal networks as sources of norms and order.
• Fukuyama makes much mention of need to detect free riders, liars, and cheaters in a social world. Too little ability to detect these leads to vulnerability to swindles. Too little trust leads to too narrow a circle of commerce.
• Radius of Trust: He essential means depth and scope of trust. Cultures that have developed trust via weak ties can access better resources for tasks and share info better. Cults and corporations can cultivate deep trust internally but do it at the expense of breadth. They stagnate. Trust in electronic networks seems to be the opposite, namely, broad but shallow. Therefore only superficial kinds of exchanges can take place. Flesh and blood meetings are needed for the depth because “human nature” needs to use the specialized brain functions that detect liars, cheaters, and free riders.
• Both the government and the corporation create and deplete social capital


• Abstract: “How behaviour and institutions are affected by social relations is one of the classic questions of social theory. This paper concerns the extent to which economic action is embedded in structures of social relations, in modern industrial society. Although the usual neoclassical accounts provide an “under socialized” or atomized-actor explanation of such action, reformist economists who attempt to bring social structure back in do so in the “over socialized way criticized by Dennis Wrong. under- and over socialized accounts are paradoxically similar in their neglect of ongoing structures of social relations, and a sophisticated account of economic action must consider its embeddedness in such structures. The argument is illustrated by a critique of Oliver Williamson’s “markets and hierarchies” research program.”


• The resource-based view of competitive advantage states that resources are the foundation for firm strategy. Implications of this theory for strategic management are unclear because the various contributions lack a single integrating framework and the practical implications of this theory are not thoroughly developed. This article attempts to make progress on those two fronts.
• The organizing framework for the article is a five-stage procedure for strategy formulation: analyzing the firm’s resource-base; appraising the firm’s capabilities; analyzing the profit-earning potential of firm’s resources and capabilities; selecting a strategy; and extending and upgrading the firm’s pool of resources and capabilities.
• Competitive advantage is the primary source of inter-firm profit differentials.
- Capabilities are what can be done as a result of teams of resources working together.
- Resources and capabilities are the central considerations when formulating strategy. They are the basis of a firm’s identity and the primary sources of its profitability.
- Characteristics of resources and capabilities which are likely to be important determinants of sustainability and competitive advantage are: **durability** – the rate at which the underlying resources and capabilities depreciate or become obsolete; **transparency** – the speed which other firms can imitate the strategy; **transferability** – the ease with which other firms can acquire the necessary resources required to imitate the strategy; and **replicability** – the ease at which another firm can imitate a strategy through replication and internal investment.
- A strategy which involves multiple capabilities across several variables is superior to one that involves a single performance variable because it is less transparent and replicable.
- The key to a resource-based approach to strategy formulation is understanding the relationships between resources, capabilities, sustainable competitive advantage and profitability.


- Abstract: “A study explores how social structure affect Interfirm alliance formation patterns. It proposes that the social context emerging from prior alliances and considerations of strategic interdependence influence partnerships decisions between firms. This social network facilitates new alliances by providing valuable information to firms about the specific capabilities and reliability of potential partners. The role of both direct ties between firms and their overall networks were examined with comprehensive longitudinal multi-industry data on the formation of Interfirm strategic alliances between 1970 and 1989. Results are consistent with both strategic interdependence and social structural explanations of alliance formation.”
- Between organizations, trust provides a foundation for one firm to achieve some degree of social control over another’s behaviour under conditions of high uncertainty. Trust (part of social capital) may provide an efficient mutual deterrent to both partners’ temptation to opportunism or malfeasance, thereby reducing alliance costs relative to more formal control mechanisms such as written contracts.
- Social capital is created through the build-up of strategic inter-organizational supply networks.
- Cases of Benetton and Toyota; Harland shows how firms actively pursue the role of a supply network hub to facilitate effective and efficient flows of materials and information.


- Abstract: “A new view concerning external stakeholders is emerging with the decreasing support for traditional management hierarchy, the growing practice of subcontracting and the
increasing management emphasis on boundarylessness. Thus, instead of the conventional stakeholder management, a growing number of management teams are embracing new partnering strategies to achieve common goals. Successful partnerships with stakeholders offer more product success rates, increased manufacturing efficiency and reduced levels of negative publicity and unfavourable litigation, among others.”

- Stakeholder prioritization should be determined by the influence that stakeholders have on the uncertainty facing the firm and by firm strategy; uncertainty is influenced by stakeholders’ political, economic power.
- The stakeholder management technique used is determined by the strategic importance of each group; traditional stakeholder management techniques buffer organization’s from uncertainty and attempt to satisfy the needs and demands of stakeholders; partnering techniques build bridges and interdependencies that bring organization’s into close alliances with stakeholder groups; the strength of stakeholder partnerships should be positively related to the strategic importance of the stakeholder.
- Customer management provides insight into marketplace directions, the need for new and product improvements, improves success of innovation and product development, and increased customer loyalty.
- Alliances with competitors allow companies to enter new markets faster, advance technology and product development; alliances work when the involved companies are affected by the same stakeholder groups.
- Relationships with local communities provide tax breaks, favourable regulation.
- Activist groups can help in new product development.


- Economist Joseph Schumpeter defined *creative destruction* as the dynamic pattern in which innovative upstarts unseat established firms. Incumbent firms have a long history of failure when faced with situations of dramatic change and those that do survive periods of creative change do so because they display more foresight than their peers.
- This study suggests that the emerging challenge of global sustainability is a catalyst for a new round of creative destruction.
- Many firms are approaching the problem of sustainable development through efforts in “greening” and “environmental management” however in the long run creative destruction will work against these incremental improvements because they do not provide the fundamental changes necessary.
- Managers must learn to look at the business world through different lenses. A useful framework for approaching this is to evaluate business opportunities based on the three types of markets or economies: developed, emerging and surviving.
- A company’s primary challenge in the consumer economy is to reduce its corporate footprint. In the emerging economy the company’s challenge is to avoid the collision of rising demand for products and services with overburdened natural and social systems. The challenge in the survival economy is to meet the basic needs of the poor so that they develop a strong economic foundation and increase their quality of life.
- New metrics focused on sustainability will help managers identify the opportunities that will help them to overcome creative destruction. Metrics will include tracking the rate of job creation and economic development, tracking the rates of natural resource use and replenishment, and tracking the material and energy-intensiveness of the company's products and processes.


- Abstract: “The balanced scorecard was developed to measure both current operating performance and the drivers of future performance. Many managers believe they are using a balanced scorecard when they supplement traditional financial measures with generic, non-financial measures about customers, processes and employees. But the best balanced scorecards are more than ad hoc collections of financial and non-financial measures. The objectives and measures on a balanced scorecard should be derived from the business unit’s strategy. A scorecard should contain outcome measures and the performance drivers of those outcomes, linked together in cause-and-effect relationships.”

- The balanced scorecard approach forces companies to translate strategy into operational measurements, forcing the clarification and redefinition of strategy; this allows the organization to create a vision for the entire company to follow, builds shared understanding, provide a focus for change initiatives and stimulate organizational learning.


- The result of a long-term multi company study, the authors developed the balanced scorecard that abandons the traditional performance measurement system focused on financial and accounting models.
- Using measures of financial performance, customer knowledge, internal business processes and learning and growth, companies can align management systems and individual, organizational and cross-departmental initiatives to organizational strategy; this systems also provides feedback regarding strategy.


- Abstract: “Objectives: Recent Studies have demonstrated that income inequality is related to mortality rates. It was hypothesized, in this study that income inequality is related to reduction in social cohesion and that disinvestments in social capital is in turn associated
with increased mortality. **Methods:** In this cross-sectional ecologic study based on data from 39 states, social capital was measured by weighted responses to two items from the General Social Survey: per capita density of membership in voluntary groups in each state and level of social trust, as gauged by the proportion of residents in each state who believed that people could be trusted. Age-standardized total and cause-specific mortality rates in 1990 were obtained for each state. **Results:** Income inequality was strongly correlated with both per-capita group membership \((r = - .46)\) and lack of social trust \((r = - .76)\). In turn, both social trust and group membership were associated with total mortality, as well as rates of death from coronary heart disease, malignant neoplasms, and infant mortality. **Conclusions:** These data support the notion that income inequality leads to increased mortality via disinvestments in social capital.

- The core concepts of social capital according to its principal theorists consist of civic engagement (the extent to which citizens involve themselves in their communities), and levels of mutual trust among community members. The model used in this study did not consider the full range of factors that may influence social capital or income inequality. They may both be derivative of some other unidentified factor that predicts state variations in mortality.
- In this study income inequality was seen as an antecedent to, rather than a confounder of the relationship between social capital and mortality.


- Three dimensions:
  1. Information volume (like centrality and bonding)
  2. Information diversity (like structural holes and bridging)
  3. Information richness (the value placed on it, the trust placed in it, usefulness)
- All three were confirmed in Lisrel and Factor Analysis using data from global steel industry alliances over more than a decade.
- They say Burt (1998) and Nahapiet & Ghoshal propose two dimensional theories (presumably Burt ignored richness and N&G collapsed all structural dimensions)
- For future directions they want to see more attention paid to the negative, not just positive, impacts of SC on the corporation. Their view is that the type (dimension mix) of SC you should seek depends very much on your industry circumstances.


- The authors define culture as the shared core values that persist over time in groups, surviving changes in group membership, and manifesting itself in behaviours and rituals.
- Firstly the relationship between strong corporate culture and company performance was investigated by asking the senior executives of 207 companies to rate the cultural strength of competitors; strong cultures were considered to display a distinct company style, to portray
its values in publications, and to base management on a set of policies and practices independent of management; economic performance was calculated using average yearly increase in net income, average yearly return on investment, and average yearly increase in stock price/value.

- While a positive relationship was found between culture strength and economic performance, no causality could be shown.
- Strong cultures can in fact harm economic performance by preventing a company from adapting to a changing environment; in order to be most beneficial, strong cultures must fit both the company’s values and the environmental context; high performing companies have good fit between culture and environment.
- Companies who have evolved their cultures effectively display common traits: they have a commitment to all stakeholders, they are committed to people and a belief in leadership at all organizational levels, and they are committed to continuous learning, change and innovation.
- Studies reveal that maintaining core values requires a competent leader with a broad perspective, and the involvement of employees in work groups and task forces to achieve comprehensive ownership of company initiatives.


- Using distinctions between calculative and cognitive-based trust and social contextual and identity based trust, this study contributes to the understanding of trust at the individual, institutional and societal levels.
- As the organizational context has an important influence on trust, a developmental perspective that integrates individual and societal perspectives is called for.
- Views on trust differ with levels of organizational hierarchy; as a result, it is important to consider the structure of organizations and networks when studying trust; shared trust may therefore be generated by changing governance structures.
- Collective action and trust is an outcome facilitated by social capital, or trust “in the air”.
- Implications for management include making trust-building a central concern in organizational strategy, and providing the opportunity for interaction and discussion as a generator of trust.


- Abstract: “The construct of organizational social capital is introduced and a model of its components and consequences is developed. Organizational social capital is defined as a resource reflecting the character of social relations within the organization. It is realised through members’ levels of collective action. Employment practices are discussed as primary mechanisms by which social capital is fostered or discouraged within organizations.”
- Two components of organizational social capital: (1) Associability – the willingness and ability of participants in an organization to subordinate individual goals and associated
actions to collective goals and actions. More than just sociability (because that’s not necessarily goal directed) or interdependence (because that doesn’t necessarily mean people are willing to subordinate their individual desires to group objectives), (2) Trust – resilient trust (Ring and Van de Ven, 1992) = generalized reciprocity and norms.

- Three ways to manage organizational social capital through employment practices: (1) Stability in Employment Relations, (2) Organizational Reciprocity Norms, (3) Bureaucracy and Specified Roles.
- Four potential benefits of organizational social capital: (1) Justifies individual commitment to the common good, (2) Facilitates a more flexible work organization, (3) Serves as a mechanism for managing collective action, (4) Facilitates the development of intellectual capital in the firm.
- Potential costs of org. soc. cap: (1) Maintenance costs, (2) Less Innovation, (3) Dysfunctional political behaviour & entrenches leadership
- Conclusion: “In this way we offer the organizational social capital model as a counterpoint to models of employment relationships that focus on individual contributions to the organization, at the expense of the social context in which the individual is embedded (e.g., Frank & Cook, 1995; Pfeffer, 1998). Rather than contradicting the agency and transaction costs models of organizations, the organizational social capital model extends them by placing norms and relationships into the mix as ways in which transaction costs can be reduced and better agents created.”


- The work is a collection of 45 conceptual and empirical papers. By distinguishing between social structure, social capital and social liability, the authors “shift network-oriented research away from a descriptive set of findings to a theoretically-based orientation with practical implications.”
- The volume’s five sections explore the conceptual issues concerning social capital, social structure at the individual level, and an analysis of structure at firm level.


- Three points about Nahapiet and Ghoshal:
  1. Objectivity: “Keeping those who are not ‘good old boys’ out of the communication loop can be very damaging to an organization. Strong personal bonds between executives can facilitate communication between those executives, but for the same reason, can isolate those who do not have such bonds. Objective communication means, in part, giving information to those who need it, regardless of whether they are your friends or not. An organization that puts strong emphasis on personal relationships is only a step away from making “politics” (i.e., who you know rather
than what the facts are) its dominant operating philosophy. … Sometimes this problem becomes so intractable that an outsider has to be brought in to destroy the old network and rebuild the whole culture (e.g., Gerstner at IBM), because the old culture is divorced from reality.”

2. Knowledge creation: “Collective or organizational knowledge is only a metaphor for knowledge shared by a number of individuals. It is a dangerous luxury for an organization to stress knowledge communication without first acting to make sure individuals take the steps needed to discover it.”

3. Causality: N & G seem to imply that the social causes the intellectual when they say that organizational advantage is primarily social. “I know that the conventional wisdom, as propagated by postmodernist philosophy, is that there is no such thing as objectivity and that all of our knowledge is ‘socially constructed.’ To me, this doctrine is a recipe for organizational (and individual) suicide. Running a successful business requires, along with the passion that moves people to create, the most ruthless dedication to the facts, to objective knowledge, and to reason. The organization that disregards these principles will not be saved by its social capital.”


- Abstract: “Scholars of the theory of the firm have begun to emphasize the sources and conditions of what has been described as ‘the organizational advantage,’ rather than focus on the causes and consequences of market failure. Typically, researchers see such organizational advantage as accruing from the particular capabilities organizations have for creating and sharing knowledge. In this article we seek to contribute to this body of work by developing the following arguments: (1) social capital facilitates the creation of new intellectual capital; (2) organizations, as institutional settings, are conducive to the development of high levels of social capital; and (3) it is because of their more dense social capital that firms, within certain limits, have an advantage over markets in creating and sharing intellectual capital. We present a model that incorporates this overall argument in the form of a series of hypothesized relationships between different dimensions of social capital and the main mechanisms and processes necessary for the creation of intellectual capital.”

- Dimensions of social capital:
  1. Structural dimension
     a. Network ties (reach, etc.)
     b. Network configuration (e.g., density, connectivity, and hierarchy)
     c. Appropriable organization (networks created for one purpose that may be used for another)
  2. Cognitive dimension (shared representations, systems of meaning)
     a. Shared codes and language
     b. Shared narratives
  3. Relational dimension (“actor bonds” à la Snehota, 1995)
     a. Trust
     b. Norms
     c. Obligations, reciprocity
     d. Mutual identification

- In flatter, network type organizations, managers have to handle a growing number of task inter-dependencies that link them to people outside their line of authority. Since formal structure offers little assistance in dealing efficiently with these lateral interdependences, managers have to find alternative ways of coordination to accomplish their task effectively. Social capital becomes a strategic tool to add value in this new organizational environment.


- Abstract: “In transaction cost economies, trust has been treated as redundant or even misleading. This study tested the effects of governance and trust on the risk perceived by agents of firms in alliances. Two dimensions of relational risk were assessed: the probability that something will go wrong and the size of the loss incurred when it does. Hypotheses, tested with survey data on the customer relations of ten suppliers of electrical/electronic components, were well corroborated, with trust-related variables as well as others found to have significant effects.”


- Network relations may enhance the social capital of a company by making it feasible for it to get easier access to information ,technical know how and financial support, but relationships may lead to social liability e.g. by reducing the possibilities for relating to companies outside the network, risk of spill over and high coordination costs of network relations.
- R&D relations are not very tightly knit and hence their problems relate to lack of information and to opportunism.
- Both ties to a cohesive cluster and strong, exclusive ties to few contacts are conditions that may turn the asset of social capital into social liability that damage a manager’s adaptability.


- Abstract: “This study examines the effect of human and social capital upon firm dissolution with data from a population of Dutch accounting firms for the period 1880-1990. Human
capital was captured by firm-level proxies for firm tenure, industry experience, and graduate
education. The social capital proxy was a professionals’ tie to potential clients. Human and
social capital strongly predicted firm dissolution, and effects depended on their specificity
and non-appropriability. Findings suggest integration of the resource-based view of the firm
and organizational ecology and a concomitant stimulation for future research along these
lines.”

- “In the resource-based view, the tradability, imitability, and appropriability of intangible
  resources are viewed as jeopardizing a firm’s advantage.”
- “The results provide important evidence against the density-dependence hypothesis (Hannan
  & Freeman, 1989). The U-shaped relation between density and the dissolution rate found in
  the model without firm-level human and social capital variables disappeared when we
  controlled for those variables. We may have obtained this result because firms with high
  levels of human and social capital generate more competition than firms with low levels of
  human and social capital (cf. Winter, 1990).”


- Advances in technology are changing traditional business practices; mass marketing, mass
  communication and attempts to achieve economies of scale are evolving into customized
  marketing practices.
- Marketers should focus on satisfying the needs of select customer groups over their lifetime;
  to profitably manage customers companies will have to reward some, fire others and improve
  the performance of each retained customer group.


- Abstract: “This paper reviews the origins and definitions of social capital in the writings of
  Bourdieu, Loury, and Coleman, among other authors. It distinguishes four sources of social
  capital and examines their dynamics. Applications of the concept in the sociological
  literature emphasize its role in social control, in family support, and in benefits mediated by
  extrafamilial networks. I provide examples of each of these positive functions. Negative
  consequences of the same processes also deserve attention for a balanced picture of the
  forces at play. I review four such consequences and illustrate them with relevant examples.
  Recent writings on social capital have extended the concept from an individual asset to a
  feature of communities and even nations. The final sections describe this conceptual stretch
  and examine its limitations. I argue that, as shorthand for the positive consequences of
  sociability, social capital has a definite place in sociological theory. However, excessive
  extensions of the concept may jeopardise its heuristic value.”

- Abstract: “The emergence of the modern corporation into a dominant institution is one of the significant socio-economic developments of the 20th century. Throughout this century, there has been a debate about the role of business in society. In this context, corporations and corporate leaders have engaged in a variety of philanthropic, public relations and community activities designed to meet public expectations and to temper pressures for legal and legislative action. As the 21st century opens, the role of the corporation in a global society is under debate. This paper addresses the challenges facing global corporate citizenship in the emerging dot-com world.”


- Abstract: “This paper investigates the evolutionary dynamics of network formation by analyzing how organizational units create new interunit linkages for resource exchange. Using sociometric techniques and event history analysis, this study predicts the rate at which new interunit linkages are created between a newly formed unit and all the existing units in a large multinational organization. Two important constructs: social capital, derived from the literature on social structure and network formation, and strategic relatedness, derived from research on linkage creation. Results show that the interaction between social capital and strategic relatedness significantly affects the formation of intraorganizational linkages.”

- Measure of social capital was just network centrality (degree centrality) and rated trustworthiness (‘suppose your unit is looking for business partners inside your organization for a joint project. Which units are you confident that they will do what you require (what you believe they should do) even without writing a contract to clearly specify their obligations?’) and “Which units can provide your unit with reliable information or service?”

- Strategic relatedness was number matching, between any pair of units, of top box ratings in 5 categories (1) customer assets, such as brand recognition and customer assets; (2) channel assets, such as channel access and pipeline stock; (3) input assets, such as quality of suppliers and financial capacity; (4) process assets, such as proprietary technology; (5) market knowledge, such as accumulated information on demand.


- Abstract: “As a potential theory, the elemental resource-based view (RBV) is not currently a theoretical structure. Moreover, RBV proponents have assumed stability in product markets and eschewed determining resources’ values. As a perspective for strategic management,
imprecise definitions hinder prescription and static approaches relegate causality to a “black box.” We outline conceptual challenges for improving this situation, including rigorously formalizing the RBV, answering the causal “how” questions, incorporating the temporal component, and integrating the RBV with the demand heterogeneity models.”

- The RBV does not presently appear to meet the empirical content criterion required of theoretical systems. Although it does possess generalized conditionals (if/then statements), it is an analytic statement, not a systematic statement and therefore does not require a confrontation with data. Although RBV does not qualify as theory in its present form it does have the potential to achieve theory status in the future.
- An elemental fallacy of the RBV is that it simplifies strategic analysis with an implicit assumption of homogenous and immobile product markets. The elemental strategy concept of value remains outside the RBV.
- As a strategic management research tool the RBV is useful due to the “messy” nature of strategy problems and their lack of compatibility with more elegant theories. RBV may also be integrated with other demand-oriented perspectives to achieve greater potential.


- By examining American history Putnam investigates the reasons for the decline in civic involvement observed in American society in the last 30 years; using government, academic and commercial sources, Putnam attempts to identify, interpret and weigh the effect of generational, social and technological forces on this decline.
- Historical data suggest that waves of change stem such downward trends, leading to the conclusion that political reform and social change could stimulate modern day increases in civic involvement.


- A review of Fukuyama’s Trust and Great Disruption books.
- A call for economics to return to its classical roots in order to et away from overly mathematical theories that have become increasingly self-referential and divorced from the real world to the point where they couldn’t predict the Asian economic collapse in the mid-1990’s or the economic decline of Russia after liberalization.

• Abstract: “Stakeholder theory development has increased in recent years, in part because of its emphasis on explaining and predicting how an organization functions with respect to the relationships and influences existing in its environment. Thus far, most researchers have concentrated on dyadic relationships between individual stakeholders and a focal organization. Using social network analysis, I construct in this article a theory of stakeholder influences, which accommodates multiple, interdependent stakeholder demands and predicts how organizations respond to the simultaneous influence of multiple stakeholders.”
• The author postulates that the density of the organization’s network density, and the organization’s centrality in this network affects management choice and resistance to stakeholder pressures; depending on an organization’s network density and centrality, an organization can be expected to behave as either a compromiser, subordinate, commander or solitarian, thus allowing stakeholder research to predict the firms’ responses to stakeholders.
• Network density improves communication efficiency and leads to the formation of shared expectations; dense networks place strong constraints on the focal organization’s activities.
• The number of ties an organization has with others in its network determines network centrality; high centrality allows an organization to influence information flows and expectations.


• Superior bottom line results are a product of high loyalty; as a result, loyalty should be treated as an integral component of business strategy.
• Many examples illustrate the importance of loyalty and the costs associated with low levels; Reichheld explains that through customer, employee and investor turnover, a company loses most of its core assets every five to ten years.
• Underlying loyalty is the provision of value, the more value a company provides, the more loyal its constituencies will be.
• As an indicator of business health, it is important that measurement systems be devised to monitor loyalty and value.


• Abstract: “A primary issue in the field of business and society over the past 25 years has been the relationship between corporate social performance and corporate financial performance. Recently, Griffin and Mahon (1997) presented a table categorizing studies that have investigated this relationship. Motivated by concerns with this table, as well as a desire to account for progress in research in this area, the authors reconstructed it. The authors present a portrait of this relationship that is (a) substantially different from that shown in the Griffin and Mahon table and (b) more consistent with the latest research on the topic.”
Evidence suggests that there is a positive correlation between corporate social performance and corporate financial performance, with the majority of studies indicating that good social performance does not lead to poor financial performance; 33 studies suggest a positive relationship, 14 studies were inconclusive, and 5 studies found a negative relationship.


Define integrity as being the quality of being ‘honest, upright, ethical and uncompromising about values and principles, and being consistent and in tune with the societies and communities in which we live and make our living’; increased globalization and public awareness has forced companies to achieve this definition of integrity.

Companies who have violated environmental, human rights, health and safety, gender and racial equity and labour standards share systemic problems of low tolerance for dissent, a narrow focus on financial performance, insularity, overzealous commitments to projects and a failure to engage the more and social intelligence of employees.

The authors provide guidance for change, including ways to unlearn assumptions, and methods for undertaking rethinking initiatives; undertaking these changes will unleash a ‘virtuous circle’ in which good social and business practices improve corporate reputation and employee self-respect.


Abstract: “This article presents the results of a study conducted in two phases within a single industry context. The first phase involved comparative case studies to ground the applicability of the resource-based view of the firm within the domain of environmental responsiveness. The second phase involved testing the relationships observed during the case studies through a mail survey. It was found that strategies of proactive responsiveness to the uncertainties inherent at the interface between the business and ecological issues were associated with the emergence of unique organizational capabilities. These capabilities, in turn, were seen to have implications for firm competitiveness.”

Evidence is provided that strengthens the argument that proactive environmental strategy gives companies competitively valuable capabilities such as improved stakeholder integration, higher-order learning and continuous innovation; these capabilities correspond to the processes the resource-based view of the firm suggests leads to competitive advantage.

- Examine the link between social structure and intellectual output in the biotechnology industry
- They look at the number of patents organizations obtain as a result of their collaborative relationships; firms that are more central in their network will attain more patents in a more timely manner due to their deeper insights into the knowledge-based of the field and their ability to combine and utilize a broad configuration of partners’ expertise in choosing promising lines of research and framing patentable claims
- Receiving more patents leads to an even more favourable position in the network
- Social capital is both an outcome and a generator of social structure


- Definition of social capital: “An individual’s stock of social capital consists of the collection and pattern of relationships in which she is involved and to which she has access, and further to the location and patterning of her associations in larger social space.”
- Definition of VALUE of social capital: “The value of an individual’s social capital is the total expected value of the benefits that this individual can obtain from his ties to other individuals.” (p.29)
- Bases concept of value on Lindenberg’s (1990; 1996) social production function, which basically uses individual “well-being” as the dependent variable to be satisfied.
- Other things that modulate the value of social capital: (1) institutions: for example, if environmental practices regulated by government, then relations with ENGOs are less valuable, (2) the level of trustworthiness of the social environment, which means that obligations with be repaid.
- The mathematical equations he gives evolve from the simple:
  \[ SC = \sum_{i \in A} v_i p_i \]
  where
  - \( SC \) = the amount of social capital
  - \( A \) = the set of all alters of ego
  - \( v_i \) = the value of the resources if \( i \)
  - \( p_i \) = the probability that \( i \) will put these resources at ego’s disposal when this is relevant for ego.


- His basic idea is that the spread of a consistent legal and administrative (record keeping) system for protecting private property rights is the unappreciated secret to the West's prosperity. First World nations were essentially the same as Third World nations today
before they (the First World nations) made the move from tribal/clan ownership of land, and from government and guild/union control of production rights. Lynne Kramer (1986) wrote on the history of institutionalized trust in the US from 1880-1920. She covered things like the development of professional certifications, stock market listing requirements, the banking and insurance industries, etc. Subsequent authors cite her work as an outline of how institutionalized social capital develops. Putting these works together, it appears that the legal/administrative framework De Soto talks about is an institutionalized form of social capital too.


- Linking the social and production relations by employing member of the same community or encouraging social interaction between employees facilitates cooperation in production: (i) because of available social capital, the slack of enforcement power present in social relations which may discipline behaviour in the workplace; (ii) because payoffs from the 2 relations are substitutes, therefore the linkage endogenously generates social capital; (iii) because the linkage generates transfers of trust; and (iv) it discloses information about agents’ situation.


- Abstract: “The success of a new venture often depends on an entrepreneur’s ability to establish a network of supportive relationships. The mobilization of financial resources is a particularly important entrepreneurial activity. Informal or ‘angel’ investors represent a significant source of venture capital. However, the challenges of organizing and managing a supportive angel network are considerable. This paper reports the findings of a longitudinal study of the development and evolution of an angel financial network within a newly created firm and further refines how theories of social capital and structural holes might be usefully applied to an entrepreneurial context.”
- The study of networks surfaces two problems faced by entrepreneurs: the need to achieve diversity in relationships, and the need to avoid dependency by creating robust ties.
- Five propositions are proposed: the greater the efficiency of the network, the greater the risk of dependency; entrepreneurs will avoid risk of dependency by maintaining redundant ties or by increasing the robustness of ties; robustness is inversely related to risk of dependence; robustness is positively related to multidimensional relationships; robustness is inversely related to the ease of network reconfiguration.
- A call is made for further research into network efficiency, overload, dependency and robustness.

- “Research has shown that companies that treat their employees well, create jobs in the local economy, develop innovative products and services, take care of the environment, and contribute to the community, are often more profitable. *The Stakeholder Strategy* shows business leaders and managers how to establish and maintain positive, mutually beneficial stakeholder relationships. Based on a synthesis of ideas from community relations, marketing, stakeholder management, organizational change, sustainability, and the corporate social responsibility literature- and featuring case study examples from companies around the world who are working to build collaborative relationships with their stakeholders- it offers an integrated framework, as well as the practical tools for developing new kinds of collaborative relationships.”

- “In today’s highly networked and competitive global economy, corporations are finding that they need to focus on more than just stockholders’ interests. Companies around the globe are recognizing the value of building relationships with all of their organization’s stakeholders—employees, customers, suppliers, and even communities. The Stakeholder Strategy is the first practical step-by-step guide to forging a network of powerful and profitable collaborative stakeholder relationships.”


- Abstract: “In this article I address the lack of integration of normative and descriptive approaches to business and society and the problems posed for coherent theory development. I reformulate corporate social performance topics according to a research strategy aimed at moving inquiry beyond problems of integration. I then demonstrate the potential for a normative-descriptive unification, and follow this with implications for future research.”

- The need for the social control of business is reduced if attuned managers consider the interests of the broader community when making decisions; to understand the interests of the community, a theory of values is required.


- Abstract: “Using data collected from multiple respondents in all the business units of a large multinational electronics company, the relationships both among the structural, relational, and cognitive dimensions of social capital bond between those dimensions and patterns of resource exchange and product innovation with the company are examined. Social interaction, a manifestation of the structural dimension of social capital, and trust, a
manifestation of its relational dimension, were significantly related to the extent of interunit resource exchange which in turn had a significant effect on product innovation.

- Product innovation was the final dependent variable – used Lisrel and confirmatory factor analysis.
- The cognitive dimension was defined in terms of shared goals and values. It is “embodied in attributes like a shared code or a shared paradigm that facilitates a common understanding of collective goals and proper ways of acting in a social system. … Inside an organization (especially a large, complex organization), a shared vision and/or a set of common values help develop this dimension of social capital … .”
- The cognitive dimension items (7-point agree/disagree) were: (1) “Our unit shares the same ambitions and vision with other units at work”, and (2) “People in our unit are enthusiastic about pursuing the collective goals and missions of the whole organization.” These two items were correlated .71.
- Shared vision (cognitive dimension) was related to trust but not to amount of social interaction. “ … different units [in the firm] may embrace the same organizational goals and values even when the units do not have strong interactions.”


- This is purely about bridging. Central trustworthy units build bridges faster, especially when they use the same “dominant logic” (Prahalad & Bettis, 1986) in decision-making by virtue of being “strategically related”.


- Social liability may be inherent in interorganizational relations, specifically that social embeddedness may exert a drag on market efficiency
- “A crucial implication is that embedded networks offer a competitive form of organizing but possess their own pitfalls because an actor’s adaptive capacity is determined by a web of ties, some of which lie beyond his or her direct influence. Thus a firm’s structural location, although not fully constraining, can significantly blind it to the important effects of the larger network structure, namely its contacts’ contacts.”
- An organizations survival is positively associated with a mixed model network (e.g., a mix of arms length ties and embedded ties).
- Embedded ties provide trust, joint problem-solving arrangements, complex adaptation, reduced braining and monitoring costs.
- Arms length contracts provide the firms new and novel information outside immediate ties.

- “In this paper, I will apply recent work on organizational social capital to an analysis of how employment practices – and particularly employment practices that emphasize long-term relationships between employers and employees – might be sources of competitive advantage for organizations.”


- Abstract: “Strategic managers are consistently faced with the decision of how to allocate scarce corporate resources in an environment that is placing more and more pressures on them. Recent scholarship in strategic management suggests that many of these pressures come directly from sources associated with social issues in management, rather than traditional arenas of strategic management. Using a greatly improved source of data on corporate social performance, this paper reports the results of a rigorous study of the empirical linkages between financial and social performance, supporting the theory that slack resource availability and CSP are positively related. CSP is also found to be positively associated with future financial performance, supporting the theory that good management and CSP are positively related.”

- For some, improved CSP is the result of strong financial performance that allows slack resources to be invested in discretionary activities; this corresponds to “doing good by doing well”.

- If stakeholder relations are incorporated into the definition of CSP, then investments in this area become strategic, not discretionary; maintaining stakeholder relations critical to overall performance supports good management theory of “doing well by doing good”.

- Suggestions given for future research include incorporating stakeholder relations into the definition of CSP.

- By incorporating stakeholder relations into the definition of CSP, the present study is able to generate a stronger link between financial performance and investing in CSP and stakeholder relations; investing resources in CSP was shown to have no negative impact on financial performance, and results indicate that investing in key stakeholder relations are beneficial.


- “We have no doubt that stakeholder-inclusive companies will out-perform stakeholder-exclusive companies with increasing ease in the 20th century. In the future, development of loyal relationships with customers, employees, shareholders and other stakeholders will become one of the most important determinants of commercial viability and business success. Increasing shareholder value will be best served if your company cultivates the
support of all those who may influence its performance. In the Stakeholder Corporation we examine the business case for good corporate citizenship, and give you a workable management system for auditing and transforming your stakeholder relationships. At a time when many are talking about the stakeholder economy, we provide numerous case studies of successful businesses, which demonstrate that stakeholder inclusion is both practical and good for business.”


- Abstract: “It is becoming clear that communicating effectively with stakeholders on progress towards economic prosperity, environmental quality and social justice i.e. the triple bottom line, will become a defining characteristic of corporate responsibility in the 21st century. However, most companies that currently use paper-based and even web based communication vehicles for their corporate performance reports are not realising the full potential value of these communications- either for themselves or for their stakeholders. This may be due in part to the fact that historically reports have not sufficiently engaged ‘direct stakeholders’ i.e. employees, customers, investors, suppliers and local communities. In this paper we review the recent history of environmental and social reporting and conclude that, whilst much progress has been made, significant challenges remain. Most notably these challenges include (i) the avoidance of engagement fatigue by stakeholders and opinion formers alike and (ii) the extension of triple-bottom-line principles from corporate headquarters into business unit operations. Conversely there is enormous potential for addressing these challenges and creating significant value for both corporations and their stakeholders through the development of truly interactive (cybernetic) corporate sustainability reports and communications delivered via the Internet and other channels. We explore some of the implications of what we believe to be an inevitable transition in how these communications will be orchestrated.”


- Abstract: “In the 1990s the concept of social capital – defined here as the norms and networks that enable people to act collectively – enjoyed a remarkable rise to prominence across all the social science disciplines. This paper traces the evolution of social capital research as it pertains to economic development and identifies 4 distinct approaches the research has taken: communitarian, networks, institutional, and synergy. The evidence suggests that of the four, the synergy view, with its emphasis on incorporating different levels and dimensions of social capital and its recognition of the positive and negative outcomes that social capital can generate, has the greatest empirical support and lends itself best to comprehensive and coherent policy prescriptions.”
• In 1950s, the modernization theorists saw traditional social relations as a barrier to development.
• In the 1970s the “world-systems” Marxists saw the relations among elites as exploitive.
• “At the same time, communitarian perspectives stressed the inherent beneficence and self-sufficiency of Local communities but underestimated the negative aspects of communal obligations, overestimated the virtues of isolationism and self-sufficiency, and neglected the importance of social relations in constructing effective and accountable formal institutions.
• In the 1980s and early 1990s, the neoclassical and public choice theorists saw groups and the relations in them as existing only to lower transaction costs – therefore irrelevant.
• Social capital is now used for research in the following areas:
  • Families and youth
  • Schooling and education
  • Community life (virtual and civic)
  • Work and organizations
  • Democracy and governance
  • Collective action
  • Public health and environment
  • Crime and violence
  • Economic development