SOCIAL CAPITAL, INTELLECTUAL CAPITAL, AND PERFORMANCE: ABSORPTIVE CAPACITY AND KNOWLEDGE SHARING AS THE MISSING LINKS

Researchers in the recent past have turned their attention to social capital arguing that it helps firms to acquire knowledge and derive performance benefits. This line of research has been criticized by some for paying excessive attention to the social relationships and underemphasizing the objective nature of knowledge. Further, questions have been raised about how social capital that resides in the interactions between people can be exploited by one firm to achieve competitive advantage for itself. Also, this line of research does not explain how a firm’s intellectual capital can modify the social capital of the network in which the firm resides. Our basic premise is that at least some of the problems associated with this research are a result of under appreciation of the nature of knowledge and the complexity of knowledge creation processes. Therefore, we introduce the dynamic nature of knowledge into the framework of Nahapiet and Ghoshal (1998) to address some of the issues.

We extend the framework of Nahapiet and Ghoshal (1998) by introducing absorptive capacity and knowledge sharing into the links between social and intellectual capitals. We argue that social capital is a network resource that is available to all the actors in the network. The extent to which a firm can acquire knowledge from the network, assimilate it and apply it depends on its absorptive capacity. Firms with higher absorptive capacities acquire more knowledge, apply it and enhance their intellectual capitals more than other firms in the network. As intellectual capital is the ability to take action based on organizational knowledge, it is the intellectual capital that leads to competitive advantage but not the social capital as argued by some researchers in the past. When a firm achieves competitive advantage, the knowledge and innovations of that firm (products of its intellectual capital) will be adopted by other firms in the network thus increasing its social capital. The pace and rate of adoption will depend on the homogeneity of the network and the reputational ranking of the firm that made the innovations.

By introducing the dynamic nature of knowledge into the relationship between social capital, intellectual capital, and performance we make an initial attempt at the following: (a) better explain how the reciprocal relationship between social capital and intellectual capital is manifested, (b) emphasize the role of intellectual capital by introducing absorptive capacity and knowledge sharing, thus balance the focus on both social capital and intellectual capital, and (c) emphasize the need to share knowledge so that a healthy network of relationships is maintained.