

# SOCIAL CAPITAL AND ORGANIZATIONAL SUSTAINABILITY: AN EMPIRICAL REVIEW

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## **Abstract**

*The purpose of this study was to review literature on social capital and organizational sustainability to identify hypothetical relationships and an operational model that can guide future research. The review identified bonding social capital and bridging social capital as empirical referents of social capital while economic, environmental and social (triple bottom) lines are the measures of organizational sustainability. The study proposed 6 hypothetical relationships based on an operational framework of the study variables. The study recommends that organizations need to pay attention to social capital as a way of enhancing organizational sustainability.*

**Keywords:** Social Capital, Bonding, Bridging, Environmental Sustainability, Economic Sustainability, Social Sustainability

## **Introduction**

There has been a change in the context under which organizations operate as “trends such as climate change, globalization, demographic change and social inequality have created a significant challenge to the traditional business model with its focus on shareholder value” (Wales, 2013:38). These have made organizational sustainability gain prominence in organizational research in

recent times in the light of the dynamic global economy that increasingly requires that business success must incorporate not only short term economic gains but the preservation of future generations. According to Cella-De-Oliveira, (2013: 962) sustainability “is a popular theme in society and has also entered organizations under the denomination Organizational Sustainability (OS)”. One of the predictors of organizational sustainability that has recently gained widespread research attention across many different countries is social capital. The question then is, what role does social capital play in enhancing organizational sustainability? Social capital, emphasizes a shift in focus from individual action to group (social) action. This is in recognition that though individuals are ‘intelligence carrying beings’ (Ozaki 1991), they cannot work in isolation to achieve organisational goals. For, as pointed out by Johnnie and Nwasike (2002), one of the distinct characteristics of being human is the fact that man lives his life in groups with people.

In this empirical review therefore extant literature are examined to identify the existence of a possible relationships between social capital and organizational sustainability. In so doing, this study sought to reveal the theoretical precepts surrounding social capital and the influence they bear on organizational sustainability by highlighting the components of social capital and the measurement indicators of organizational sustainability in a bid to produce a

operational framework that shows possible hypothetical relationships that can form the basis for further empirical analysis.

## **Conceptual Review on the Major Study Concepts**

### **Social Capital**

There are as many postulations on social capital as the number of proponents of the concept. This makes it a little bit difficult to fully understand the concept. Ponthieux (2004) notes that the main difficulty with social capital is that the same expression covers several ideas. This view is also captured in the 2001 review on social capital by the Social Analysis and Reporting Division Office for National Statistics which notes that there are many possible approaches to defining social capital much to the exasperation of anyone trying to research it. The review reports that:

*There are many definitions attached to the concept which leads to justifiable confusion about what constitute "social capital". This has been exacerbated by the different words used to refer to the term. These range from social energy, community spirit, social bonds, civic virtue, community networks, social ozone, extended friendships, community life, social resources, informal and formal networks, good neighbourliness and social glue. Within these there are different conceptualizations depending on the theoretical background which contribute to conceptual confusion (6).*

Beugelsdijk and Smulders (2003) therefore argue that there is not a single unified or generally accepted theory of social capital but explain that the field of social capital is interdisciplinary. This, in their opinion, is the reason for the different theories of social capital.

Indeed, the scope of social capital varies considerably in the literature. But in providing an overview of the 'Social Capital Initiative', the World Bank Social Development Family Environmentally and Socially Sustainable Development Network in April 1998 asserts that the narrowest concept of social capital is associated with Putnam. The 'Social Capital Initiative', as in Kasozi (2004), identified three concepts of social capital. The first of these is Putnam's (1993) view that social capital as a set of horizontal associations facilitates co-ordination and co-operation to the end that members of the community benefit mutually. The second concept is based on Coleman's (1998) view that social capital is a variety of different entities, with two elements in common. These common elements consist of aspects of social structure, as well as social capital being a facilitator of the actions of the members in an association. The third and final view explains social capital from the perspective of the larger socio-political environments that provide the basis for development of norms and as well shape social structure. Each of these concepts contributes to our understanding of social capital at the micro (within-the-work-organization) level as adopted in this study.

Putnam (1993) who is acknowledged to have popularized the concept (Ponthieux 2004) posits that "social capital refers to features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit' (Putnam 1993, p.35). It emanates from the idea that relationships constitute a major resource just as other forms of capital within the organization (Larsen, Harlan, Bolin, Hackett, Rex and Wolf, 2004). Social capital is thus viewed as the stock of formal or informal social networks that individuals use to allocate goods and services (Rose 1998). It is an outcome of the institutionalization of social relationships in social structure (Pantoja 1999). These social relationships are both formal and informal as identified by Rose (1998), and generally concern economic

returns from networks of social relationships (Pargal, Huq and Gilligan, 1999). Extending this view, Portes and Sensenbrenner (1993) argue that social capital is constituted by certain expectations for action within a collectivity that affect the economic goals and goal-seeking behaviour of its members.

From the foregoing, it can be adduced that social capital emphasizes the role of social networks in the achievement of organizational goals. The networks according to Nahapiet and Goshak (1998) enhance access to, and exchange of information, enforcement of contracts and focusing on a shared vision and collective goals. Social capital, it can be argued, emphasize civic engagement and shape the attitudes of organizational members. This however happens over a certain period from when the individual first comes into the organization as a member. Within this period, and through the process of socialization and integration, the individual's cognitive and emotive frames are reconfigured to conform to the larger social organizational context. Lawler, Mohrman and Ledford (1998) therefore posit that organisations may increasingly realise that they have to do a good job of balancing the organizations needs for cost competitiveness and performance with the development of satisfying work relationships that can attract and hold individuals who are the source of competitive advantage.

### **Empirical Referents of Social Capital**

Two conceptual forms of social capital have been identified by Putnam (Friedman 2002, Beugelsdijk and Smulders 2003, Larsen et al 2004). These are Bonding Social Capital and Bridging Social Capital:

#### **Bonding Social Capital**

Bonding Social Capital can be thought of as a kind of 'Sociological Superglue' that reinforces ties of loyalty and support (Friedman 2002). Here the emphasis is that the people involved are members of the same community and have knowledge of each

other. The relationship between organisational members is made stronger by bonding social capital. The bonding social capital enforces a closer tie in a homogeneous group (Beugelsdijk and Smulders 2003). Central to bonding social capital in Kasozi's (2004) view are the value process of trust, reciprocity, civic culture including tolerance, inter-group co-operation, and voluntarism.

Bonding social capital emphasizes group cohesion and as the name implies, it brings people who already know themselves closer. This however has a disadvantage for, as Beugelsdijk and Smulders (2003) posit, bonding social capital has a negative effect on the degree of sociability outside the close social circle. But since work organisations are open systems, there is need for a 'social balancing and alignment', thus Bridging Social Capital.

#### **Bridging Social Capital**

Bridging Social Capital establishes the link for people in a heterogeneous relationship. Putnam (2000) according to Beugelsdijk and Smulders (2003) defines 'bridging social capital' as bonds of connectedness that are formed across different social groups. It is to this effect that Friedman (2002) asserts that Bridging Social Capital breeds outward-looking networks and can bring together people from a variety of backgrounds, as well as create new common ground. Paxton (1999) refers to it as cross-cutting ties, and Larsen et al (2004) explains that it occurs when members of one group connect with members of other groups to seek access or support or to gain information.

Bridging social capital is particularly important for work organisations that have global outlook because of the invaluable nature of information in global competition. Domestically bridging social capital is also important for organizations that have new entrants from time to time or even cross posted members from different backgrounds and orientation. In such cases such work organisations create an opportunity for

integration and acceptance of her new members into the already existing social context. Induction and orientation exercises are therefore undertaken. Both bonding and bridging are distinct forms of social capital that have some different antecedents (Larsen et al, 2004). It is however important to note that they both emphasize social connections and are both determinants of civic action. Having examined the concept of social capital, we will now turn the searchlight on the concept of organizational learning.

### **Organizational Sustainability**

The concept of sustainability has become prominent in global academic discuss since the declaration of the Sustainable Development Goals (SDGs) by the United Nations in 2015. This is “in response to these weaknesses that resulted from poor resource management” (Rasouli and Kumarasuriyar, 2016: 23). Even though the word sustainability has been in the lexicon of human society for centuries, it’s origin as a policy concept is however traced to the Brundtland Report of 1987 (Kuhlman and Farrington, 2010). Since its origin, the meaning ascribed to it has been reviewed. The Brundtland Report, according to Kuhlman and Farrington (2010: 3436) “was concerned with the tension between the aspirations of mankind towards a better life on the one hand and the limitations imposed by nature on the other hand. But the alterations in the meaning of the concept has continued with the passage of time as succinctly captured by Wales (2013: 39) who stated that:

Colbert and Kurucz (2007) identify the colloquial definition of sustainability as being to “keep the business going”, whilst another frequently used term in this context refers to the “future proofing” of organizations. Boudreau and Ramstad (2005), refer to “achieving success today without compromising the needs of the future”.

Despite these changing meanings of the concept, Miidom, Nwuche and Anyanwu (2016:40) highlighted the general meaning of sustainability given by Brundtland (1987) as “development that meets up with the needs of present situation of the society and the organization without compromising the condition of future of the generation to come to achieve their own needs”. This definition suggest that organizational sustainability is not only concerned about short term business gains but also about the future of state of the resource base from which the business draws to make those gains thus giving due consideration to the wellbeing of future generations. This is explicitly stated by Kuhlman and Farrington’s (2010: 3441) position that sustainability is about “maintaining well-being over a long, perhaps even an indefinite period”. To this end, Akhtar (2014: 88) posit that sustainability is all about “meeting the needs of an organization’s direct and indirect stakeholders such as shareholders, employees, clients, communities etc, without compromising its ability to meet the needs of future stakeholders as well.

### **Measures of Organizational Sustainability**

There is strong evidence in literature that shows that there are three measures of organizational sustainability. For instance, Wales (2013: 39) argues that “sustainable growth encompasses a business model that creates value consistent with the longterm preservation and enhancement of financial, environmental and social capital”. This is supported by the view of Colbert and Kurucz (2007), who iterate that sustainability “implies a simultaneous focus on economic, social, and environmental performance”. This argument suggests that one of the three identifiable indicants of organizational sustainability are economic, environmental and social sustainability. This is further affirmed by the position of Kuhlman and Farrington (2010: 3436) who posit that in the course of time, the concept of sustainability “has been re-interpreted as encompassing three dimensions, namely social, economic

and environmental”. Thus [Hollingworth](#) (2009:1) identifies that one way the sustainable organization is defined to view it as one that “contributes to sustainable development by delivering simultaneously economic, social and environmental benefits”, which is referred to as the ‘triple bottom line’ ([Hollingworth](#), 2009; [Cella-De-Oliveira](#), 2013; [Mohd Zawawi and Abd Wahab](#), 2019). For, “the focus of sustainable management is on analyzing firms’ performance based on achieving the triple bottom line” ([Horak, Arya and Ismail](#), 2018:2)

### **Environmental Sustainability**

The environmental line of the triple bottom line, according to [Alhaddi](#) (2015: 6) “refers to engaging in practices that do not compromise the environmental resources for future generations. [Mohd Zawawi and Abd Wahab](#) (2019: 2) explain that “the environmental measurements are generally taken as the amount of natural resources used, the residue left by their operations, as well as any other environmental costs or activities, such as spillages, nitrogen discharge, suspended solids discharge, wastewater reuse, environmental savings and incentives, ecological training costs, environmental information availability, etc.” Such issues are environmental impact from the activities of organizations are at the front burner in the sustainability discuss.

### **Economic Sustainability**

The economic line of the triple bottom line, according to [Alhaddi](#) (2015: 6) “ties the growth of the organization to the growth of the economy and how well it contributes to support it”. But [Rasouli and Kumarasuriyar](#) (2016:27) identified two perspectives to economic sustainability as they identified that “some scholars assume that the key theme in defining economic sustainability is the relation between economic growth and the use of natural resources”, while “others believe that the core concept is based on the long-term performance of capital”. Looking

at both views, it can be argued that economic sustainability therefore centers on economic performance measurements, which according to [Mohd Zawawi and Abd Wahab](#) (2019: 2) are “generally taken for profit and loss factors, such as profit growth, sales growth, returns on equity or assets, after-tax income, transportation costs, marketing costs, etc.” [Atkinson, et al.](#) (2007: 45) captured in [Rasouli and Kumarasuriyar](#) (2016:27) argue that “if sustainability means leaving future generations with at least as many opportunities as we have today, then the way to achieve this is by passing on to future generations a level of capital that is at least as high as ours today”. This happens where organizations add economic value to “the surrounding system in a way that prospers it and promotes for its capability to support future” ([Alhaddi](#), 2015: 6).

### **Social Sustainability**

Social sustainability demands that organizations be socially responsible citizens by paying attention to labour relations and the wellbeing of society at large. [Mohd Zawawi and Abd Wahab](#) (2019: 2) state that “social performance is considered which generally refers to the physical impact which a company has on the local community and on employees, measured by, for example, lost time, injury frequency, reliability of supply, overall customer satisfaction, workforce stability or job security, the cost of health protection for employees, employment rates, the number of business partnerships, the percentage of workers with work-related diseases, etc.”

### **Empirical Review of the Relationship between Social Capital and Organizational Sustainability**

Literature shows that a number of studies have examined the relationship between social capital and organizational sustainability. [khtar, Ismail and Hussain](#) (2014) in their study on “Social capital and organizational sustainability: Case of Malaysian SMEs” examined the impact of

structural (networks), relational (relationships) and cognitive (value) social capital on sustainability with a sample of 335 service and manufacturing SMEs and found that on a general note, social capital has a significant influence on organizational sustainability. More specifically, they found that structural and relational social capital significantly influences sustainability whereas cognitive social capital does not. Similarly, Fotovvat, S., [Safari, K.](#), [Zayyari, K.](#) & [Boostani, S.](#) (2014), in [A study on relationship between social capital and sustainable development](#), empirically examined the association between the empirical referents of social capital and sustainable development in the city of Salmas, Iran using a sample of 384 respondents. The researchers found that:

a positive and meaningful relationship between three components of social capital and sustainable development including social cohesion, social participation and social security. However, the study does not confirm the relationship between social trust and sustainable development (Fotovvat, S., [Safari, K.](#), [Zayyari, K.](#) & [Boostani, S.](#), 2014: 2117).

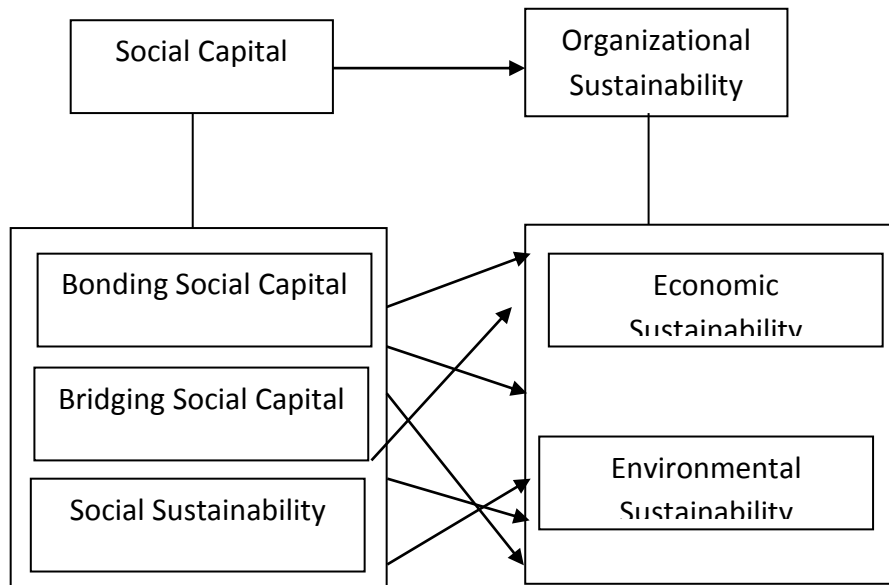
Also, Killerby (2001) argues that there is a strong link between social capital and both environmental protection and social outcomes. In the study on “Social capital, participation and sustainable development: recent examples of inclusive consultation in New Zealand”, the author found a strong link between community consultation, which is a

function of social capital, and sustainable development outcomes.

None of this studies so far examined assessed the influence of Putnam’s (1995) typology of social capital that has the two dimensions of bonding and bridging social capital. There are however studies that focus on this typology of social capital. One example is the study carried out by Kusakabe on “Social capital networks for achieving sustainable development”. Adopting a case study design, the study focused on Japan, and examine how social capital associates with better achievement of sustainability goals. The study concluded that social capital relates positively to sustainability. Based on the foregoing, the following hypotheses are formulated:

- H1: There is a significant relationship between bonding social capital and economic sustainability.
- H2: There is a significant relationship between bonding social capital and environmental sustainability.
- H3: There is a significant relationship between bonding social capital and social sustainability.
- H4: There is a significant relationship between bridging social capital and economic sustainability.
- H5: There is a significant relationship between bridging social capital and environmental sustainability.
- H6: There is a significant relationship between bridging social capital and social sustainability.

The hypothesized relationships are illustrated with an operational framework:



**Figure 1: Social Capital and Organizational Sustainability**

Source: Desk Research 2020 (Putnam’s (1995) typology of social capital; Elkington’s (2004) triple bottom lines of organizational sustainability)

**Conclusion**

This empirical review set out to examine the relationship between social capital and organizational sustainability. The paper identified the triple bottom line that has been associated with building organizational sustainability. These lines (economic, environmental and social), which are regarded as the main features of organizational sustainability are considered to be influenced by structural, relational and cognitive social capital based on the outcome of the review of extant literature, hence the formulation of 9 research hypotheses and the conceptualization of the perceive relationships. The study recommends that the hypotheses developed in this paper should be further examined empirically.

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