Capitalize the Social Capital

(What, When, Why …..)

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In this era of globalization and increased competition, organizations have realized that their employees can make the difference between managing and achieving. Along the same time, researches and surveys have also established that a motivated workforce not only results in increased productivity and long tenures but also translates to a greater customer satisfaction and loyalty. Organizational researchers and strategists are now exhorting corporations to treat their employees as their most important customers and just as any other resources like money, machines etc.

Managers across the globe are fraught with handling a geographically distributed and culturally diversified workforce, and are working on measures that would help them to retain the best talents to ensure continuity. A quick glance at the work environment around reflects the challenge of the desires (what one seeks) and drivers (what is one motivated from) of employees.

To find a solution to the above, it is important to first understand the structure under which the employees' function along with the resources and constraints organized in the existing work environment. These resources and the constraints are a consequence of the formal relationships that an organization decides for the employee (by virtue of experience and/or expertise) on where they are placed and the peer group alongwith they are going to work. This we term as a "Formal Structure".

Recent years have witnessed a growing acceptance of the significance of a (parallel) "Informal Structure" of relationships at workplace. Therefore it is imperative to consider both types of structures while one attempts to understand the complex interplay of forces that facilitate the functioning at work place.

Sociologists and organizational researchers have termed the concept "Social Capital" to represent the resources available to an individual from his/her relationships (both formal and informal). According to Nahapiet & Ghoshal, Social Capital is "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social Capital thus comprises both the network and the assets that may be mobilized through that network."

Significance of Social Capital for Employees

Based on the above definition one can identify different sources of social capital of an employee. These different sources are the result of different types of relationships, which can be classified into the ones that exist within the boundary of the organization and those that span the boundary. Relationships which lie within the boundary can be **formal (due to hierarchy)** and **informal (personal)**. Boundary spanning relationships are with individuals from other (partner) organizations or with the customers. While hierarchy is not mandatory in such relations, they can be formal or informal.

When managed properly the relations within the organizations will help in enhancing productivity of employees. Healthy relations also result in better co-ordination and co-operation from other members (along the hierarchy as well as across the hierarchy). This facilitates better and faster communication, smooth resolution of contentious issues and quick response to crisis situation.

Proper management of boundary spanning relationships optimizes the social capital gained from these relations which manifests in enhanced co-ordination with external entities resulting in improved supply chain efficiency and more business.

The above benefits directly influence the employee by providing greater visibility and enhanced reputation within and beyond the organizational boundary which subsequently leads to a significant positive affect on the job satisfaction and the motivation, the twin wheels of the corporate ladder.

Significance of Social Capital for the Organization

Since the source of social capital lies in both formal and the informal networks, the organizations today needs to realize that these formal as well as informal associations have to compliment each other. These relations will only help its workforce to remain connected to the enterprise and bring about identification with the same even in the absence of geographical proximity. Such identification with the organization helps individuals relate themselves as an integral part of the wider organization network.

What is the organization attaining by embracing these informal networks as a part of the organization culture? Enriching motivated employees, enabling knowledge dissemination, innovation & ideas and more important a controlled attrition rate. A closer look at these networks also helps organization spot central players. This knowledge may help in identifying the leadership potential and assist in succession planning. One can also identify the bottlenecks in a team or a group and take corrective actions by proper counseling or role change. Yet another benefit can be derived by recognizing the

isolates and taking steps to bring them into mainstream thereby contributing to increased productivity and reduced turnover.

Monitoring of the networks could reveal the existence of cliques which can be a result of faulty leadership, lack of communication / interaction (due to geographical dispersion) or politics. These groups and cliques could seriously hamper the performance of the teams and be a source of negative vibes and demotivation. Steps could be taken to dissolve such cliques by counseling or by shifting the central player(s).

The Role of Organizations in Developing this Social Capital

Enterprises in the present generation, though at a slower pace, have started identifying the need to cultivate these informal associations as a part of their formal initiatives. Celebrating birthdays and service anniversaries with the teams were primitive measures. Annual get-togethers and celebrations have also been embraced by lot of organizations where all employees are brought together on a common platform. While these are limited to employees at work, some organizations have gone forward to include the family members into such activities. They even extend the recognitions and achievements of the employee to their families to thank them in their support and encouragement. But just a handful of them go beyond these work related dependencies to provide an informal setup to their employees. Here initiatives are completely disconnected from the organization strategy and individuals are encouraged to showcase their talents in areas of sports, entertainment and other related aspects.

Apart from initiatives that can be directed towards all the parts of the organization, special efforts can be undertaken to bring a specific group (e.g. top management) together by offering them memberships and accesses to communities and gathering specific to their interests.

Resist the Temptation

It can be debated whether these one-off initiatives are going to help the organizations to optimally utilize the social capital hidden in the networks. Which gives rise to the idea of institutionalizing the whole process of creating and sustaining the formal and informal networks in collaboration with the employees. While the organization can take responsibility for formal networks, the employees and employee groups can be given a free hand for the development of informal network. Technology can play a very vital role in fulfilling this intent. Necessitated by the lack of direct communication/interaction and physical proximity, technology can be leveraged to create an online formal as well as informal platform for both types of networks.

Finally, in this age of cut-throat competition and great emphasis on results, the owners of this initiative would do well to keep in mind the old adage "All is well that ends well". The ends are as important as the means therefore the implementers /owners of the initiative have to continuously monitor the growth of these networks to ensure that desired objectives are met continually.

Way Forward

To conclude one can summarize that there has been a growing realization about the significance of social capital. But there still are challenges in form of the acceptance and proper implementation. Corporations across the globe have employees spread from Baby Boomers to GEN Y. The Orkuts and Facebook have clearly reflected the openness to these networks from new generation. Simultaneously, one may see not so welcoming notes from the earlier generation who could be reluctant to increase their dependencies on technology as well like to preserve their privacy. To capitalize on the social capital, we need to ensure a mid path where technology is an enabler for getting these networks active and ensure that is ably backed by other initiatives which will propel it to ensure greater acceptance among all sections of employees. Going forward we are sure to witness clear distinction among organizations who have capitalized Social Capital and those who fail to do so.

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