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Secondhand social capital: Boundary spanning, secondhand closure, and individual performance

Neha P. Shah^{a,*}, Daniel Z. Levin^a, Rob Cross^b

^a Management and Global Business Department, Rutgers Business School – Newark and New Brunswick, Rutgers University, 1 Washington Park, Newark, NJ, 07102, United States

^b Babson College, 125 Tomasso Hall, Babson Park, Massachusetts 02457-0310, United States

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ABSTRACT

We move beyond the performance returns of individuals' direct network connections to study the effects of "secondhand" social capital, i.e., from the networks of one's contacts. We propose that certain colleagues may be more valuable to one's job performance than others when their spillovers of novel information combine with spillovers of the cooperation needed to obtain that novelty. In a study of 1273 research and development employees across 16 business units, we find that the most benefit to one's own performance comes from having ties that span business units and that also include secondhand closure (i.e., where one's contacts are each embedded in a constrained, dense network). Bridging the organizational boundary provides the novelty; and secondhand closure provides the cooperation. Further, by examining who in the network is constraining these contacts, we are able to trace their cooperative motivation both to reputational and organizational identity concerns, which each create a spillover of cooperation toward the focal individual, who reaps the returns.

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Network research emphasizes the benefits and detriments associated with people's involvement in workplace relationships (Brass et al., 2004; Burt et al., 2013). These connections facilitate the transfer of work-related knowledge and resources. Theorizing by network scholars largely centers on how direct connections to others can generate career advantages, including higher job performance (e.g., Ahuja et al., 2003; Mehra et al., 2001; Sparrowe et al., 2001), and thereby serve as a source of social capital (Burt, 2000). Beyond direct connections, the literature has explained that third parties influence knowledge sharing. Third parties enhance the novelty of shared knowledge due to the lack of connections among one's direct contacts (i.e., brokerage) (Burt, 1992; Granovetter, 1973; Rodan, 2010) or enhance cooperation to share knowledge through the presence of connections among one's direct contacts (i.e., closure) (Baker, 1984; Burt, 2005; Coleman, 1990; Granovetter, 1985). Thus, the literature offers well-researched explanations for how an individual's "firsthand" network, i.e., the degree and structure of connections among one's direct contacts, provides the social capital to benefit his or her own performance.

However, it remains less clear whether or how an individual's "secondhand" network, i.e., one's contacts' networks, may create value for one's own performance. To be sure, research on network centrality has incorporated to some extent the value in contacts' network configurations, in the form of betweenness, closeness, or eigenvector centrality (Bonacich, 1987). However, such research typically combines the impact of firsthand and secondhand (and thirdhand and so on) networks, making it difficult to see what impact, if any, a secondhand network has on performance. What little literature has focused on secondhand networks in particular has yielded ambiguous conclusions (Burt, 2007, 2010; Cummings and Cross, 2003). Specifically, this research demonstrates that secondhand brokerage, i.e., where each contact is situated in an unconstrained, sparse network, sometimes seems to matter and other times not. For instance, some research shows that contacts' seniority in the organization relative to the focal individual influences whether contacts' networks will produce beneficial spillovers of novel knowledge (Galunic et al., 2012), because senior contacts who act as brokers can share access to influence and expertise that may be unreachable without these relationships (Sparrowe and Liden, 1997, 2005). Conversely, other research finds no effects of

* Corresponding author.

E-mail addresses: shahnp@business.rutgers.edu (N.P. Shah), levin@business.rutgers.edu (D.Z. Levin), rcross@babson.edu (R. Cross).

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brokerage in contacts' networks after taking into account people's direct network structure (Burt, 2007, 2010).¹

Since being connected to brokers may not be universally beneficial, secondhand brokerage may offer only a partial explanation of how secondhand social capital affects performance. Indeed, the value of network connections, in terms of firsthand social capital and knowledge transfer, has been attributed to two factors: (1) the novelty of conveyed knowledge and (2) the motivation to fully share the knowledge with the focal individual. Scholars have described these factors in terms such as range and cohesion (Reagans and McEvily, 2003; Reagans and Zuckerman, 2001), vision and closure (Burt, 2005), or novelty and trust (Levin et al., 2016). Accordingly, the ambiguity in the existing literature that has focused on secondhand brokerage may be attributable to the presence or absence of contacts' cooperative motivation. For instance, Galunic et al. (2012, p. 1219) found individuals rated their colleagues' help as most valuable to them due to secondhand brokerage when the "broker" colleagues were more senior to the focal individual, since "the leader role should naturally motivate occupants to broker information and resources for subordinates." Thus, we propose that secondhand social capital, i.e., the advantages returned to individuals due to their contacts' network configurations, may be most beneficial to job performance in cases when information novelty combines with a cooperative motivation.

Indeed, network forces can encourage cooperation, through closure. Closure is a configuration where one's contacts tend to know one another. To be sure, network closure around an individual need not come solely from contacts who are in the focal individual's own division or business unit, as inter-unit boundary-spanning ties can potentially be a part of a dense network as well. Closure has been associated with network structures that convey repeated and redundant information (Burt, 1992, 2000) but that also establish trust and reputation by serving as an informal type of social governance (Burt, 2005; Granovetter, 1985). Accordingly, this network structure facilitates strong norms (Coleman, 1990) and may inform individuals' social identity (Podolny and Baron, 1997). Relatedly, closure has been associated with enforcing relational and reputational stability (Burt, 2010) and easing knowledge transfer (Reagans and McEvily, 2003). Thus, the culture of cooperation and the reputational concerns of people in closed networks may encourage cooperative behavior. For instance, Gargiulo et al. (2009) found closure to be especially valuable for work performance when the focal individual is an acquirer of information but not a provider of it. That is, closure may provide a solution in those situations where people need knowledge from someone who might otherwise lack a cooperative motivation.

Our research question is whether a focal individual (hereafter, "ego") can derive performance benefits (i.e., become a high performer, rather than just an average one) from contacts (hereafter, "alters") by combining secondhand closure with knowledge novelty. As such, for this novelty effect, we will turn to research of boundary spanning, which has shown that workplace relationships that span business units (sometimes called bridging ties, but we use the more precise term, "boundary-spanning ties") often offer novel knowledge (Tushman, 1977). However, alters in another business unit may have limited incentives to cooperate (Tortoriello and Krackhardt, 2010). For example, boundary spanning limits the shared identity and reporting structure that encourages knowledge sharing within units. Moreover, boundary spanning also limits the shared language and shared perspective that increases knowledge familiarity within organizational units (Cohen and Levinthal, 1990).

¹ Research outside of organizations applies the idea of secondhand networks to manufacturers and their suppliers, but the focus of that research is firm survival and performance (e.g., Uzzi, 1996, 1997), not individual performance.

As a result, it takes even more willingness to explain something to someone in another unit, because they often do not even know the basics (Hansen, 1999). In such cases, cooperation becomes especially important.

Therefore, those boundary-spanning ties to alters whose network structures encourage cooperation, i.e., secondhand closure, should be the most valuable to ego's own performance. We argue further that this closure in alters' networks will be beneficial to ego via two distinct mechanisms—reputational concerns along with feelings of shared identity—both of which encourage the alter to help ego solve work-related problems. Accordingly, in cases when cooperation and novelty are essential, secondhand closure, rather than secondhand brokerage, could be a more appropriate construct to consider when taking into account how alters' social capital affects ego's performance.

Our study contributes to the literature in three ways. First, given the current limited understanding of second-order network effects in workplace networks (Galunic et al., 2012), we examine the nuanced conditions under which secondhand social capital enhances performance. Particularly, whereas the existing literature indicates that secondhand brokerage may be positive or neutral, we suggest it actually may be harmful in the case of connections that span across business units, since alters who are brokers likely lack the cooperative incentives that facilitate knowledge transfer. Thus, we emphasize a need for spillovers of both novelty and cooperation in boundary spanning, and extend this insight from firsthand networks to secondhand networks also. Second, the literature has indicated individual-level benefits of intra-organizational boundary spanning (Burt, 2004; Perry-Smith, 2006), along with the challenges of alter selection that arise due to these boundaries. For instance, Tortoriello and Krackhardt (2010) found boundary spanning to be beneficial for innovation generation when an individual and his or her alter share a third party in common. An alter's cooperative motivation may not need to be so direct, however. We find evidence that when it comes to boundary spanning, the constraining influences of the alter's wider network, attributable to sources within ego's business unit and even those outside of the alter's and ego's business units, can benefit ego's performance. We associate these sources with two mechanisms of cooperative motivation: reputation concerns and superordinate identity. Whereas prior literature has looked at constraint in general, to our knowledge it has not been common to examine the *source* of constraint, especially with respect to second-order constraint. Finally, a central benefit of organizational networks is that they can help overcome some of the information-exchange limitations imposed by the organization structure. We suggest how alters' relative organizational unit membership and network structure can work together to provide performance advantages, thereby emphasizing the crucial interplay between workplace networks and formal organization (e.g., Brennecke and Rank, 2016). In so doing, we help create a more nuanced and mature understanding of how work relationships and networks help performance (Kwon and Adler, 2014; McEvily et al., 2014).

1. Theory and hypotheses

Organizational boundaries, such as the demarcation of business units, shape the nature and ease of knowledge flow within organizations (Krackhardt and Stern, 1988; Tortoriello et al., 2012). Within the boundaries of a particular business unit, common languages, understandings, perspectives, and meanings develop among members (Brown and Duguid, 1991; Cohen and Levinthal, 1990; Tortoriello et al., 2012), such that "opinion and behavior are more homogenous within than between groups" (Burt, 2004; p. 349). A shared base of knowledge develops as people interact and

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