



Exploring how social capital facilitates innovation: The role of innovation enablers



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ABSTRACT

The literature supports the importance of social capital for the development of innovation capabilities, but pays little attention to how this process takes place. Further, most research assumes a homogeneous level of social capital inside an organization, and concentrates mainly on the structural dimension, understating the relational and cognitive dimensions. To address these gaps, this article explores how the three dimensions of social capital influence the multiple types of innovation capabilities. We use a qualitative methodology within a single-case study to answer the research questions. Our findings expose the mediating role of innovation enablers – a set of general capabilities that contribute in turn to favor innovation. We illustrate the nature of social capital heterogeneity and multidimensionality and we discuss its relevance for the development of different types of innovation, namely product, process, marketing, strategic and behavioral innovation.

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1. Introduction

1.1. Social capital and innovation

The ongoing globalization process highlights the importance of innovation for all companies and especially for SMEs [44]. It provides a strategic orientation to strive for sustainable competitive advantage (e.g., [25,31]), to enhance market position [54] and ultimately performance [23]. Innovation has been considered a key dynamic capability to address the challenges of rapidly changing environments. Dynamic capabilities reflect the organizations ability to achieve new and innovative forms of competitive advantage, depending in large measure on honing internal technological, organizational and managerial processes inside the firm [57]. Dynamic capabilities are not simply processes, but embedded in processes, they are the result of the firm's behavioral orientation to

constantly integrate, reconfigure, renew and recreate its resources and capabilities (Wang & Ahmed, 2007).

As regards to the different types of innovation, there is a general consensus in the literature that all types of innovations can contribute to a firm's competitive advantage ([23]; Han, Kim, & Srivastava, 1998; [57]) and the positive effect of the joint implementation of different types of innovation (e.g. [17,23,63,66]).

Managing the complex and risky process of innovation is problematic and fraught with difficulty [25,31]. Social capital can be one of the keys to managing this process. It can be defined as 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 [40]. The literature recognizes the importance of social relations and values to the distinctiveness and sustainability of competitive advantage, and acknowledges the importance of organizational social capital on innovation (e.g. [7,26,27,36,55]). Subramaniam & Youndt [56] state that since innovation is basically an effort of collaboration, social capital plays a key role in its development. Moreover, social capital promotes risk-taking, inherent in the development of new things. Thus, through trust and stability, social capital

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makes employees feel safe to make suggestions and accept new challenges [34]. It is also suggested that intra-organizational knowledge sharing influences the innovativeness of a firm as it supports creativity [46] and inspires new knowledge and ideas [3]. Strong ties have been claimed to be important because they make people more accessible and willing to be helpful [35], and they are important conduits of useful knowledge.

Despite the apparent consensus on the positive effects of social capital on innovation, the available studies just reviewed, explore the statistical relationships between social capital and innovation variables, but they do not address how or why social capital happens to influence the different types of innovation capabilities.

1.2. Social capital: heterogeneity and multidimensionality

Social capital at the organizational level reflects the character of social relations within the firm [34], which most research treats as homogenous in terms of level and quality (e.g. [34,40,64]). However, as Arregle, Hitt, Sirmon & Very [4] state, it is unlikely that social capital is internally homogeneous, since different groups coexist in most organizations, which do not necessarily develop the same type and quantity of social capital. This means to refocus the unit of analysis towards the group level, instead of the firm level. This is in line with the dynamic capabilities approach [57] since it underlines the importance processes, which are probably better analyzed at the group level.

Moving down to the group level, group social capital is defined as the set of resources available to a group through group members' social relationships within the social structure of the group itself, as well as in the broader formal and informal structure of the organization [43]. However, the same homogeneity assumption is held, and most studies mainly compare groups from different organizations (e.g. [24,30,42]).

Nahapiet & Ghoshal [40] define three dimensions of social capital: structural, cognitive and relational. Moran [38] argues that the effectiveness of one's social capital rests on more than just the structural configuration of one's network, since the quality of one's relationships matters too, and he finds that new, innovation-oriented tasks are more related to the relational part of social capital. However, despite the fact that social capital is a multidimensional concept (e.g. [48]), most research at the organizational and group level has focused on the structural dimension, almost to the exclusion of the others dimensions [32,33,62].

1.3. Research questions

To address the gaps mentioned, this article aims to get inside the black box and explore the three dimensions of social capital in depth, not only accounting for the structural dimension but also taking into account the relational and cognitive dimensions and how they link with the different types of innovation capabilities (i.e. product, process, marketing, strategic and behavioral). It will also be open to the likely intra-organizational differences in social capital. In particular, we aim to contribute to answering the following research questions: (i) whether there is a case for heterogeneity of social capital and (ii) how do the dimensions of

social capital influence the multiple types of innovation capabilities.

A better knowledge of how and why social capital dimensions influence innovation is essential if managers are willing to promote or, to some extent, manage social capital to manage innovation better. The first research question is relevant because if there are significant differences in social capital, organizations will need to manage social capital differently for the corresponding groups or individuals, so that they achieve the desired innovation capabilities. As for the multidimensional approach to social capital, it may uncover differential effects of the multiple dimensions of social capital on innovation capabilities. This knowledge can enhance the development of targeted capabilities.

In the next section we introduce the theoretical framework that guides our research, by reviewing the literature on the dimensions of social capital and their effects on innovation. We generate an integrative framework that will be used to explore the nature of links between social capital and innovation capabilities. Thereafter, the research methodology is explained and the results are presented, addressing the research questions identified. After these central sections, we discuss our findings and point to limitations. The final section concludes by highlighting the implications and contributions of this research.

2. Theoretical framework

2.1. The multidimensional concept of social capital

Nahapiet & Ghoshal [40] provide a framework for research on social capital in a business and management context. They describe three dimensions of social capital: structural, cognitive and relational. The structural dimension is defined as the social interactions, including the patterns and strength of ties, among the members of a collective [45]. The formal structure of ties that make up the social network has been the object of several studies. These studies focus on where a network may be sparse, based on Burt's [6] theory of structural holes, or cohesive, based on Coleman's [11] approach. The cognitive dimension is the bundle of resources providing shared representations, interpretations, and systems of meaning among parties [40]. Moreover, it comprises the group's shared vision and purpose, as well as its unique language, and deeply embedded narratives and culture [45]. Lastly, the relational dimension comprises the resources created through personal relationships, including trust, norms, obligations, and identity [40].

2.2. Innovation capabilities

To explore the effect of social capital on innovation, we define innovation capability, following Wang & Ahmed [65], as the ability to develop new products, services and/or markets through aligning strategic innovative orientation with innovative behaviors and processes. Accordingly, five distinct components of an organization's innovation capability are defined: product, process, market, strategic, and behavioral capability. Product capability indicates the ability

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