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# Building Sustainable Organizational Social Capital: The Global Leadership Challenge

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**Keywords** : *global leadership, social capital, human resource management and development.*

**GJMBR-A Classification** : *JEL Code: D23*



*Strictly as per the compliance and regulations of:*



# Building Sustainable Organizational Social Capital: The Global Leadership Challenge

Khadija Al Arkoubi <sup>α</sup> & Elizabeth Davis <sup>σ</sup>

**Abstract** - Building social capital (SC) is increasingly recognized as essential for organizational and social growth. However, there is a scant amount of literature on how leaders are expected to develop SC as an individual and organizational competence. While this article develops new frameworks for both SC and global leadership (GL), it offers practical suggestions to practitioners in human resource development and management on how they can set up strategies for developing both GL and SC.

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## I. INTRODUCTION

There has been a growing body of literature on social capital (SC) and its importance in organizational and social development (Prusak & Cohen, 2001). Building and sustaining organizational social capital (OSC) is a necessity today and failing to recognize it may negatively impact organizations (Burt, 1992; Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998). Leaders are expected to promote SC in their organizations at the same time they are expected to develop their own SC. The dynamics occurring between leadership and SC are perhaps among the most under-researched aspects of leadership (Brass & Krackhardt, 1999). Despite the recognition of the importance of SC in generating learning, collaboration, innovation, creating value for the organization (Fukuyama, 1995; Putnam, 1993), and mobilizing HR around collective actions, the extant literature is still silent about the process of creating and sustaining SC. Further, little attention has been devoted to the role of leaders in developing and leveraging SC. Today, global leaders (GLs), who are acting across borders, zone times, cultures, and languages, appear to have the most complex tasks to accomplish and the hardest roles to play. Although the concept of global leadership (GL) is still in its conceptual stage, exploring the dialectic relationship between developing and strategizing SC at organizational and global leadership levels seems of paramount importance.

In this article, we first define the constructs of SC and GL. Second, we explore how GLs can build their personal SC as a global competence, and sustain the OSC. Third, we present six propositions aiming at contributing to the extant literature and advancing the theory and the practice of GL. Finally, we identify some

implications for the field of HRD and provide directions for future research.

### a) *Social Capital*

The concept of SC did not spring from organizational studies but from research in sociology conducted first by Bourdieu back in the 1960s. Bourdieu (1997) defined SC as the sum of “actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition....which provides each of its members with the backing of collectively-owned capital” (p. 57). This definition was supported by Coleman (1990) and Putnam (1993) who both considered SC as social resources composed of relationships, trust, norms, and values. SC is also defined as “social networks, reciprocities that arise from them and the value of these for achieving mutual goals” (Schuller, Baron, & Field, 2000, p. 1).

SC is a multi-dimensional (Putnam, 1995) and multidirectional concept and has been invoked across-disciplines to explore a variety of questions pertaining to different fields (politics, social development, education and schooling, economic development, etc.) (Adler & Kwon, 2002). Some authors complain about the usage of the word capital because it was borrowed by social researchers from a economics (Baron & Hannon, 1994), and has led to a “plethora of capitals” in the field. Opponents of this concept (e.g. Solow, 1997) perceive SC as different from other assets because it is very hard to be quantified although measures of its benefits are possible. Opponents seem to be more interested in its metaphorical use, while proponents argue for the correctness of the concept (Robison et al., 2002). Others posit that it is an “umbrella concept” (Adler & Kwon, 2002) or “a wonderfully elastic term” (Lappe & Du Bois, 1997, p.119) in the sense that it is used across disciplines and levels (individual, group or team, community or society, organization, inter-organization), and is inclusive of heterogeneous theoretical perspectives. While these statements may reflect the richness of this concept and its openness to several interpretations and usages, they also show that it is an elusive term.

Recently, SC has gained currency in organization science, but it is still defined differently. Instead of problematizing the definition of SC, we prefer to focus on its dimensions following the advice of Putnam (1995) who considered the identification and

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clarification of SC components as a research priority. We view OSC as a construct composed of four dimensions: (1) Structural (networks); (2) relational (trust, collaboration, inspiration, synergy and sympathy, etc.); (3) cultural (values, norms, identity); and (4) discursive (narratives, storytelling).

#### *b) The Structural Dimension of SC*

It consists of the structure and the content of ties. The structure of ties refers to the network configuration that provides channels for communication and information transfer. Nahapiet and Ghoshal (1998) identified three characteristics of the network structure that were found to offer enough flexibility and facilitate the information exchange. These are: density, connectivity and hierarchy. Burt (1992) and Coleman (1998) emphasized the structural holes and the closure of networks. While Burt contended that a sparse network with fewer ties provides more benefits (cost effective resources), Coleman regarded closure as a way to strengthen SC because it sustains trust in others and leads to the development of norms, solidarity, and cohesiveness in the organization. Nevertheless, there are contingencies to take into account in both cases and the empirical research is still ongoing to uncover these. For example, Hansen et al. (1999) found that closure is appreciated when the tasks are uncertain as it helps creating an atmosphere conducive to sharing tacit knowledge. The structural holes are more desirable though when tasks enjoy a relative level of certainty, because they help exploring a wider range of information sources. Besides, density (closure), and structural holes, Rohe (2004) specified other viable factors that impact on the network configuration. These factors contain the size (number of people), diversity (race, ethnicity, social and cultural background, etc.) and location (geographically close or far). People engage in relationships and use their contacts to get the needed information or have access to particular resources. These may include job opportunities, new skills and knowledge, status and reputation, etc.

#### *c) The Relational Dimension of SC*

The majority of the literature on SC emphasizes trust as a key element in building relationships. Light (2004, p.5) defines SC as "relationships of trust embedded in social networks". Besides trust, trustworthiness is essential to instigate others' support and initiate actions that induce cooperation and collaboration. While trust is a characteristic of the relationship, trustworthiness is an attribute of individuals engaged in this relationship (Nahapiet & Ghoshal, 1998). There are, however, some prerequisites for trust to flourish and contribute to SC development. It should start with a willingness to cooperate with the other party (Leana & Van Buren, 1999; Putnam, 1993). This willingness includes a belief in others' good intentions and motives, their ability and competence in the field,

their reliability and their perceived openness/collegiality and fairness (Ferguson & Stoutland, 1999). All these are attributes that global leaders should have to be able to develop strong networks and create value for themselves and their organizations. There is a need though to account for the level of trust that characterizes the relationship. Fukuyama (1995) argues that high level of trust in an organization will bring about cooperation and effectiveness while low level will generate costs. A neglected factor in the relational dimension of SC is ethics. In this paper, ethics is considered as the basis of trust building. Lack of integrity may destroy trust and hence relationships formed with the aim of networking and cooperating. It may ruin the reputation of an organization and its leaders as well as affect the inter-organizational relations.

Nahapiet and Ghoshal (1998) stressed the role of identification in the reinforcement of relationships. They considered it as the process by which individuals identify themselves with other people or group of people. Similarly, Leana and Van Buren (1999) defined identification as "the willingness and ability of participants in an organization to subordinate individual goals and associated actions to collective goals and actions" (p. 541). It involved according to them an affective component and skill-based component. The affective component is based on the engagement in collectivist goals that will necessarily benefit the individual while the skill-based component refers to the competencies one should have to be able to collaborate with others in the process of achieving the desired goals. In this case, no individual can claim the exclusive ownership of social capital, but the latter characterizes the relationship between all the players (Burt, 1992).

#### *d) The Cultural Dimension of SC*

The cultural dimension is not discussed in the mainstream literature on SC, but it appears to have considerable importance. Culture is the set of beliefs, values, and norms that acts upon people's behaviors and directs their actions. Leaders with a collectivistic background and working for an organization that promotes collectivism will find it easy to associate themselves with the group and initiate actions toward the achievement of collective goals (Markus & Kitayama, 1991). They will foster cooperation among individuals and groups and will tend to encourage people to subordinate their personal objectives to those of the group. Conversely, in an individualistic culture leaders will stress self-sufficiency and individual achievements (Leana & Van Buren, 1999). Studies conducted on cultural differences have already emphasized these features and their impact on work (e.g., Ouchi, 1980). An interesting study by Chatman et al. (1998) has shown that a collectivistic organizational culture will highlight shared objectives, interchangeable interests, and commonalities among members. By contrast, indi-

vidualistic organizational cultures will stress individuals' unique attributes and will promote differences among employees. Another concept with paramount importance in building OSC is institutional collectivism. It implies "the degree to which institutional practices at the societal level encourage and reward collective action" (Gelfand et al., 2004, p. 463). Therefore, global leaders working in societies with high institutional collectivism will find it easier to network than in societies that are low in this dimension. Further, established norms as suggested by Coleman (1988) can be either a powerful or fragile form of SC. Norms motivate, guide actions and promote exchanges when they are strongly embedded in the cultural system of the organization and/or society. They bring about high levels of commitment in building and sustaining SC, especially, if they are reinforced by other organizational practices (Leana & Van Buren, 1999).

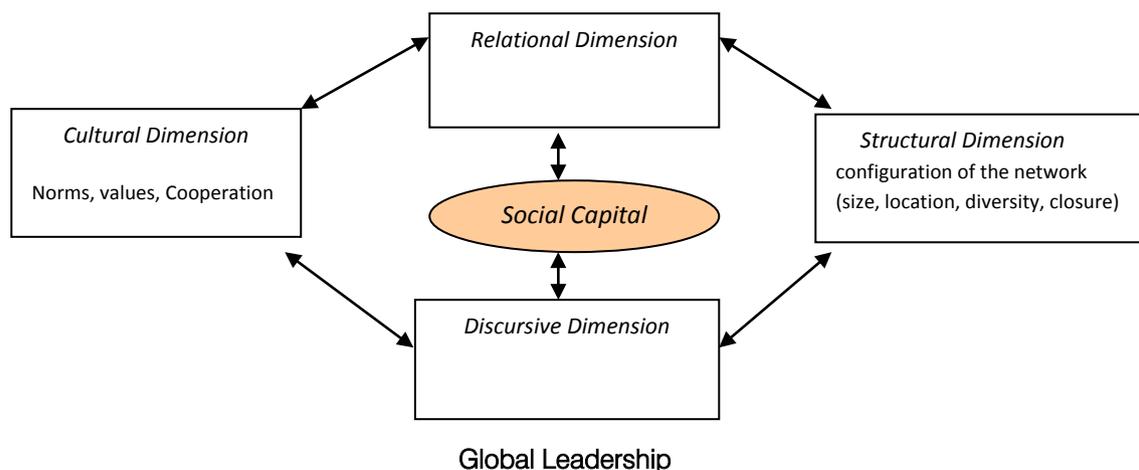
e) *The Discursive Dimension of SC*

Although there is no reference in the literature to this dimension, it is in our sense, one of the strongest components to build and sustain SC. It is reflected in language, strategic narratives, individual and organizational discourse and storytelling. The language is a

key tool to construct and exchange meaning. When it is shared, it has a powerful role to play in affecting perceptions (Pondy & Mitroff, 1979), and advancing knowledge (Nahapiet & Ghoshal, 1998). Both academic research and practice (Armstrong, 1992) have demonstrated the benefits of using narratives and storytelling in creating strong organizational culture, improving organizational practices, training, developing leadership, organization change, etc. to the extent that Boje (2006) has been theorizing for the storytelling organization. Barry and Elmes (1997) perceive strategy itself as a form of narratives that has to be polyphonic, polyvocal and pluralous. Therefore, leaders will use stories to create and sustain values that consolidate SC and encourage organizational members to engage in building networks. Also, leaders' discursive system, including discourse, metaphors, myths, speeches, and all kinds of narratives will strongly act on organizational members' reinforcement of SC in their organization or their willingness to involve themselves in networking with other organizations.

The dimensions of SC outlined above interact with each other to form the organizational SC. (See figure 1).

Figure 1 : A model of organizational social capital



Global leadership (GL) is an emerging concept that has attracted the attention of many academics and has given rise to several definitions that reflect the intricacy of the global leader work (McCall & Hollenbeck, 2002). Definitions provided up to now stress different perspectives and issues. Some of them are focused on the tasks and functions to be conducted by GLs (e.g. Barlette & Ghoshal, 1992), others are concerned with the cognitive and behavioral skills that GLs should possess (e.g. Tichy, 1992), while few emphasized the difference between GLs and expatriates or international managers (Pucik & Sabat, 2002).

In this paper, all these views are reconciled in an integrative model that recognizes the interplay between what GLs do and who they are. GLs are

builders and architects who are supposed to craft innovative global/local strategies, and create and sustain a strategic intelligence in their transnational corporations. They are also responsible for developing successful leaders, promoting capabilities, creating and enhancing the organization's social capital, building cross-cultural teams and contributing effectively to the adaptation of their organization to the requirements of the global and the local needs. The construct of GL proposed in this paper is composed of three major components: personality attributes, global mindset/global identity, and cultural intelligence. These are meant to describe effective global leaders (Al Arkoubi, 2005).

## II. PERSONALITY ATTRIBUTES

The big five personality model provides a good taxonomy for classifying personality traits and it enjoys relatively strong construct validity (Goldberg, 1993). Therefore, it will be used to emphasize personality traits needed by GLs. The dimensions of the big five are: (a) Extraversion, (b) Agreeableness, (c) Conscientiousness, (d) Emotional Stability, and (e) Openness to experience (McCrae & Costa, 1997). Each dimension has been proved as being crucial for GLs. In consistence with the research conducted by Barrick and Mount (1991), other empirical studies on GLs have shown that conscientiousness (thoroughness, responsibility, achievement, credibility, organization, planning and hard work) is positively related to boss performance rating for managers in the high global complexity conditions (Dalton, et al. 2002).

Emotional stability refers to the ability to cope with stress, tensions, and challenging situations. Findings are though anecdotal concerning the impact of this dimension on GLs' effectiveness (Holopainen & Bjorkma, 2005). An essential characteristic pertaining to GLs emotional stability is the ability to balance tensions in the global arena between global integration and local responsiveness (Gregersen, Morrison, & Black, 1998). Second, extraversion refers to traits such as sociability, openness to others, and the willingness to engage in new relationships. It was found to be a valid predictor of expatriates' success (Mendenhall & Oddou, 2001). It is required for GLs (Black et al., 1999) as they are supposed to work and communicate effectively across several cultures, languages and mindsets (Kohonen, 2005). Third, agreeableness is mentioned in the literature under several names, such as sympathy, kindness, sensitivity to others' needs, courtesy, and emotional connection. This dimension has been found as a key factor in helping GLs integrate culturally in diverse environments (Arthure & Bennett, 1995). Finally, openness to experience implies the will to take risks, make discoveries about cultures, businesses, employees, etc. It is analogous to inquisitiveness that "is the fuel for increasing GLs global savvy, enhancing their ability to understand people and maintain integrity, and

augmenting their capacity for dealing with uncertainty and managing tensions" (Gregersen, Morrison, & Black, 1998: 23-24).

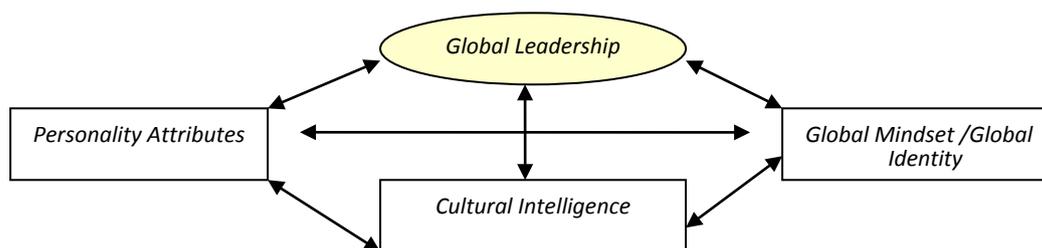
## III. GLOBAL MINDSET AND GLOBAL IDENTITY

A global mindset is "a predisposition to see the world in a particular way that sets boundaries and provides explanations for why things are the way they are, while at the same time establishing guidance for ways in which we should behave..." (Rhinesmith, 1992: 63). GLs need a global mindset to ensure survival, expansion and good performance for their organizations (Crowne, 2008; Lovvorn & Chen, 2011). Another component interacting with the global mindset is "global identity" (Kohonen, 2005). It is defined as the strong will to integrate other cultures' values, beliefs and behaviors. It entails an exposure of self to an ongoing process of identity reconstruction in a multicultural/global context. Global mindset and global identity interact with and affect each other and they involve cognitive, attitudinal and behavioral capabilities for better understanding of other mindsets and identities.

### f) Cultural Intelligence (CQ)

Cultural intelligence is an emergent concept that is in the state of developing. It is "a person's capability to adapt effectively to new cultural contexts" (Earley & Ang, 2003, p. 59). It consists of three interrelated components: cognitive/metacognitive, motivational and behavioral capabilities. The cognitive/metacognitive facet implies a dynamic reshaping of self-concept based on the ability of reasoning within social information processing perspective. The motivational facet includes three major elements: self-enhancement, self-efficacy, and self-consistency. If this facet is weak, adaptation does not occur. The behavioral facet of CQ "reflects a person's capability to acquire new behaviors appropriate for a new culture" (Earley & Ang, 2003: 83). New behaviors may be languages, rituals, habits, etc. A high CQ leader has the ability to identify which new behaviors are required, how to apply them. Finally, this proposed integrative model of GL is dynamic and based on a continuous interaction between its components.

Figure 2 : An integrative model of global leadership



How Should GLs Create and Sustain SC?

There is rising evidence that SC has several benefits for both leaders and their organizations. SC facilitates access to sources of information and fosters its exchange between corporations (Adler & Kwon, 2002). More sensitive and richer information is transferred when networks are characterized by trust and solidarity (Krackhardt & Hanson, 1993). It helps acquire knowledge and skills especially through interior-organizational networking (Inkpen & Tsang, 2005) and is a key factor in developing intellectual capital (Nahapiet & Ghoshal, 1998). It also promotes solidarity and commitment and reduces control and monitoring (Ouchi, 1980). SC can also be a good source of influence and power (Coleman, 1988). Moreover, SC can enhance the general performance of the company (e.g. Collins & Clark, 2001), and reduce turnover (Dess & Shaw, 2001) especially when networks are large and internal. Besides improving effectiveness, SC may boost efficiency through reducing transactions costs and decreasing the possibility for opportunism (Putnam, 1993). Finally, SC plays a significant role in enhancing social status of members of specific networks (Burt, 1992), and it leads to career success (Podolny & Baron, 1997). If SC enjoys all these benefits how should it be developed?

*a) Developing SC as a Global Competence: The Individual Level*

There is a dearth of literature on how GLs can develop their SC and therefore enrich their organization’s repository of SC (Cohen & Prusak, 2001). Day (2001) suggests that networking is a key factor in producing SC. It “is about investing in and developing social capital with a primary developmental emphasis on building support” (p. 16). He mentioned that creating opportunities to meet and exchange with partners from several practice areas all over the world is a key factor in creating and consolidating leaders’ networks. Further, networking helps in extending relationships, diversifying

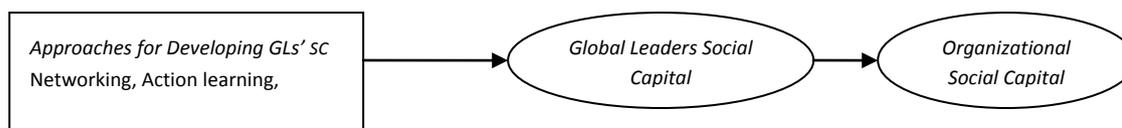
them and crystallizing leadership competencies through coaching and mentoring, leading to new SC (Lin, Fu, & Hsung, 2001). In addition to networking, other practices, such as action learning and job assignments can be developmental for leaders (Day, 2001). Action learning helps explore opportunities for growth and encourage creativity, innovation and a successful implementation of new ideas. Job assignments aim to foster the leaders’ global awareness. They could open horizons for GLs to enlarge and diversify their networks.

Inpatriation of leaders from host countries and third country nationals into the headquarters on a permanent or semi-permanent basis is another way of developing GLs’ SC along with other types of capitals, including cultural, political and human capitals (Harvey & Novicevic, 2004). Nevertheless, leaders will differ in their capacity of developing SC depending on the KSAs they possess. Any investment in developing SC at the individual level will be reflected at the organizational level and will be considered as an investment in the OSC (Day, 2001). This will be translated also in a development and enlargement of SC to include subsidiaries all over the world. In fact, GLs who engage in developing their SC through all the practices aforementioned at the corporation and global levels are likely to replicate in their organizations what they benefit from as individuals. This could happen when GLs develop a full awareness and appreciation for social networks, and engage in trustworthy relationships with different groups (Brass & Krackhardt, 1999).

*Proposition 1* : Leadership Development approaches that include networking, action learning, job assignments, inpatriation, coaching and mentoring will enable global leaders to build and enhance SC as a global competence at the individual level.

*Proposition 2* : GLs who develop SC in themselves as a global leadership competence will be more likely to successfully enact all the practices that will foster OSC.

*Figure 3* : Developing SC as a global leadership competence



**Developing SC as an Organizational Competence: The Organizational Level**

GLs with SC as a competence and with characteristics defining a successful GL, will engage in developing and sustaining SC at organizational and global levels. They have to align SC development with the strategic goals of the organization (Krackhardt & Hanson, 1993). When an organization is acting at a global level, this fit becomes more critical as the global environment is more complex and requires a variety of

relationships, business contacts, political, economic, social, cultural and legal awareness that pertains to multiple settings. There are preponderant decisions to be made concerning the nature, the types, and the goals of the networks to be created. A *strategic OSC* requires planning and involvement of all organizational members to be sustained. Concerning the choice of networks, adopting a stakeholders approach will help

GLs decide about the networks to build. Stakeholders include shareholders, employees, customers, buyers, suppliers, competitors, government and non government agencies, professional associations, subsidiaries, unions when they exist, and any other body that has a stake in the organization or could create new opportunities for it. Building networks with stakeholders will provide the organization with incredible resources (knowledge, power, status, opportunities, information, etc.) that will enhance the value creation and delivery to build dynamic capabilities and improve the performance of the organization at global level (Griffith & Harvey, 2004). The stakeholder model of organizational leadership supports the idea of taking into account stakeholders when building and/or enhancing SC (Schneider, 2002). GLs will have to play a powerful role in initiating networks within their organizations and encouraging inter-organizational networks and fitting them to the organizational strategy.

*Proposition 3* : Adopting the stakeholder approach in developing organizational networks that are aligned with the organizational strategy, will be positively related to strategic OSC development.

Another way to foster OSC is through creating a strong culture characterized by trust, cooperation, initiative, open mindedness, and teamwork. This objective can be achieved through using a significantly influential discursive system that includes storytelling, myths, symbols, artefacts, metaphors and all kinds of narratives. However, this wouldn't be enough and would require that GLs act as role models to their followers. GLs have to cultivate trust by being trustworthy and open and by fostering openness in others (Cohen & Prusak, 2001). They have also to show the highest level of cooperation and collaboration with the organization members by adopting empowering styles of decision making and taking into account people's ideas and suggestions. De-layered organizational forms at local and global levels are more conducive to teamwork and exchange of resources (Harvey & Novicevic, 2002). "In many ways social capital at its core is about the value created by fostering connections between organizational members" (Hoffman et al. (2005, p.94). These connections have no chance to be sustained without strong communication channels. The latter enables employees to establish deep ties and experience closure (Coleman, 1988). It also facilitates the process of creating strong social norms that are in line with the formal or informal organization system of ethics. Using IT to develop networks that bridge geographical gaps promotes SC that reflects commitment to information and knowledge exchange as a value at global level.

*Proposition 4* : creating a strong culture characterized by trust, cooperation, initiative, open mindedness, and teamwork, will facilitate exchange in the organization and help building OSC.

*Proposition 5* : GLs' discursive system, including discourse, metaphors, myths, speeches, and all kinds of narratives will strongly act on organizational members' reinforcement of SC in their organization and their willingness to involve themselves in networking with other organizations.

Promoting values and norms that facilitate the creation of SC is not enough. Culture needs to be reinforced and maintained using other practices. HRD and HRM functions have been proved to be effective in sustaining actions in organizations, including the enhancement of social capital (Harvey & Novicevic, 2004). Nevertheless, GLs are expected to adopt a strategic approach to HRD. In fact a strong social capital model will entail a high performance and a lot of investments in training and development, selection of the most suitable employees, job security, performance management and compensation. These practices will act positively on the psychological contract that ties individuals to their organization, and on the relational contracts among employees (Rousseau, 1995). Compensation, if it is team based will strengthen the team ties and sustain SC among the teams and the organization. There are though some risks to it such as groupthink and social loafing (Campbell, Campbell & Chia, 1998). Rewards remain though one of the strongest ways to reinforce behavior. In addition, selection needs to be based on methods helping to select managers with high potential to build OSC; otherwise, selection itself will be an impediment to OSC (Harvey & Novicevic, 2004).

Another HR practice that may consolidate OSC at global level is inpatriation. Inpatriates have great knowledge of the host country environment that can be analysed and used to avoid the threats and seize opportunities for the organization (Harvey & Novicevic, 2004). Inpatriates can play a great role as mediators between the headquarters and the emerging markets. They are also supposed to offer mentoring to high potential leaders from the host country to ensure a smooth succession. Mentoring managers in foreign countries on how to create and maintain OSC will result in positive outcomes for the organization at local and global levels.

*Proposition 6* : HRD practices that are aligned with the strategy of the organization and consistent with each other will lead to strategic OSC.

#### *b) How This Research Contributes New Knowledge to the Field of HRD*

This paper contributes to the existent literature in many ways. First, it explores an emergent topic that hasn't been researched before and opens horizons for other researchers in HRD to investigate the dynamics between GLs and SC. Second, it develops new frameworks for both GL and SC. Third, it proposes several ways on how GLs should develop SC in

themselves and in their organizations in order to have access to a global network that would enhance the organization's global integration and performance. Finally, it offers some practical suggestions to practitioners in HRD on how they can set up strategies for developing both GL and OSC. The paper recognizes however the complexity of this topic. The latter, akin to an octopus, relates to a myriad of disciplines (sociology, psychology, economics, management, anthropology, etc.) that need to be put together to be able to capture the diverse variables/ dimensions inherent in both SC at all levels and GL. Moreover, this paper sets the ground for a beginning in theory building. Therefore, testing all the proposed frameworks will be desirable although it will be faced by measurement problems. In fact, both constructs (GL and SC) have concepts (trust, culture intelligence, global mindset) that researchers are still trying to measure. Future research in HRD can also focus on the impediments and the risks of SC either those related to GLs or organizations. While a great amount of literature is focused on its benefits for individuals, organizations and communities, studying SC risks seems relevant to design viable strategies to prevent or reduce its drawbacks. Further, it would be very useful that both HRD academics and practitioners explore the complex interactions between GL and SC and determine viable ways of fortifying them. The challenge is also to design strategic policies that holistically and coherently integrate all the practices in an attempt to sustain individual and OSC.

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