



# **SOCIAL CAPITAL IN THE ASIA PACIFIC**

**EXAMPLES FROM THE SERVICES INDUSTRY**

Edited by  
Yuliani Suseno and Chris Rowley



# Social Capital in the Asia Pacific

Social capital is broadly conceptualised as consisting of resources and network ties embedded in the social structures and relationships that facilitate beneficial outcomes for the actors within those structures. Despite the number of research studies on social capital, there have been fewer attempts to examine social capital in the context of service-oriented firms, particularly in the Asia Pacific. This is surprising as the service industry plays an important role in the global services trade transactions and business activities. Social capital enables and maintains social relations for business transformation for service-oriented firms. Indeed, it would be unimaginable for any economic activity, particularly in service-oriented firms, to occur without social capital.

This examination of social capital in the Asia Pacific region provides the context for recognising the cultural, social and economic opportunities and challenges of several Asia Pacific countries that can potentially enrich our knowledge and understanding of the region. Contributions are drawn from cases based in Thailand, Indonesia, South Korea, China and Australia, for relevant application in the areas of social capital and service-oriented firms in the Asia Pacific.

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*Disruptive innovation and the creation of social capital in Indonesia's urban communities*

Yuliani Suseno

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*Selling trust in cyber space: social networking service (SNS) providers and social capital amongst netizens in South Korea*

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*Beyond 'know-what' and 'know-how' to 'know-who': enhancing human capital with social capital in an Australian start-up accelerator*

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## Preface

Ever since Putnam's remarkable revelation of the differences in societal structure between northern and southern Italy, and their implications for civil society, for economic structures and for the contrasting nature of ideals of cooperativeness that shape much social action, awareness of this powerful, intangible influence has been at the leading edge of much social science. It has been constantly reinforced by 30 years of the World Values Surveys. Studies of the exploding growth of East Asia in recent decades have confirmed two important social facts: across the region there is strong dependence on specific interpersonal relationships beyond family in making economies work; and the way this happens itself varies within the region. Asia cannot be treated as one category of social structure. Having said that there is still a fundamental cross-cultural difference globally between one large block of societies that are essentially collectivist and hierarchical, and another that are individualist and egalitarian. It may well be that, fortuitously for social science, Putnam had unwittingly discovered part of the global boundary between them running across the Italian peninsula.

Business people coming into the Asian region for the first time are usually told 'it is all about relationships'. They are not always told why, because people at the interface may know the fact, but not its origins, or even how its workings rest on a particular social psychology. Nor that the psychology varies between cultures, and why it does so.

This collection opens up such issues to view, as a contribution to understanding a powerful force in international business. Such an influence needs to be acknowledged by those responsible for work that blends the logics of such matters as market demand and cost effectiveness, with the less visible logics of special kinds of trust. The Western world tends to rely on trust in institutions and laws, plus some assistance from interpersonal reciprocities. In Asian cultures, for perfectly understandable reasons, it is the other way round, and the reciprocities come first. This is especially relevant in industries such as services where the personal aspect of transactions, such as qualifications, experience, contacts and reliability, are key to many success stories.

This collection of studies has the virtues of being grounded in reality, and also being varied enough to demonstrate that Asia Pacific is an area that repays attention to local traditions and ideals in the context of globalization.

Gordon Redding

# Introduction: reflections on research on social capital and the services industry

Yuliani Suseno and Chris Rowley

## **ABSTRACT**

Notwithstanding the substantial literature on social capital produced in recent years, there have been fewer attempts to examine social capital within the services industry. Our contribution highlights existing research on social capital particularly on the application and outcomes of social capital in the context of service-oriented firms in the Asia Pacific region. We structure our analysis of existing research around the different approaches of social capital studies – either ego-centric or sociocentric approach and the focus on the creation and outcomes of social capital. The analysis on the different perspectives of social capital research contributes to our further understanding in the areas of social capital and services industry in the Asia Pacific. The implications for theory and management practice are noted.

## **Introduction**

For more than four decades since Loury's (1977) work, research on social capital has played an important role in advancing our knowledge and understanding of the impact of social relationships, networks and resources. Social capital is broadly conceptualized by scholars as consisting of resources and network ties embedded in the social structures and relationships that facilitate beneficial outcomes for the actors within those structures (Coleman 1988; Suseno and Pinnington 2018). Converging evidence from scholarly research highlights the effect of social capital at the individual (e.g. Bozionelos 2014; Hauser et al. 2016), organizational (e.g. Andrews 2010; Carmona-Lavado, Cuevas-Rodríguez, and Cabello-Medina 2010) and societal levels (e.g. Aldrich and Meyer 2015; Kwon and Arenius 2010; Lin, Fu, and Chen 2014).

However, notwithstanding the substantial literature on social capital over the years, there have been fewer attempts to examine social capital in the context of service-oriented firms. Yet, the service industry plays an important role in global services and trade activities. Services continue to account for significant levels of total foreign direct investment (FDI) in greenfield projects and merger and acquisition deals in the world (UNCTAD 2014). The trend towards personalization also drives manufacturing firms to be more customer- and



service-focused (Gebauer and Kowalkowski 2012). Given the increasing demand for firms to be more service-oriented, it is important to understand and explore the dynamics of relationships and resources embedded in social networks of service-oriented firms. The set of contributions in this collection responds to calls for more insight into exploring social capital in the context of service-oriented firms.

We sought contributions from scholars on studies that examine the application and outcomes of social capital in the context of service-oriented firms in the Asia Pacific region. The Asia Pacific region has long been regarded as an interesting research context for management research (Rowley and Redding 2012). Many of the Asian economies can also be considered as economic powerhouses. For example, the 10 member states of the Association of South-east Asian Nations (ASEAN), currently the seventh largest economy in the world, is projected to be ranked as the fourth largest economy by 2050 (Vinayak, Thompson, and Tonby 2016). According to the World Bank's 2017 Global Economic Prospect, growth in developing East Asia and Pacific continued to be robust in 2018, at the growth rate of 6% in comparison to 1.9% growth in the advanced economies (The World Bank 2017). Furthermore, the population in many of the Asia Pacific countries is huge and they are also becoming less dependent on advanced industrial economies (Das 2012). The collection of research of social capital in the service context in the Asia Pacific region is, thus, a worthwhile avenue of inquiry.

Here, we highlight some aspects of existing research on social capital. We discuss two important issues: the different approaches of social capital studies and the creation and outcomes of social capital in existing research. We then illustrate how these aspects relate to the contributions that are part of this collection.

## **Reflections of existing research on social capital**

### ***Egocentric and sociocentric approaches of social capital***

Research on social capital is varied in their approaches or perspectives of analysis. Many studies view social capital as an individual or private good in terms of 'how individuals access and use resources embedded in social networks to gain returns in instrumental actions (e.g. finding better jobs)' (Lin 2001, 21). The argument for the private good of social capital is primarily focused on the viewpoint that social capital benefits individuals who are linked to powerful others (Gubbins and Garavan 2015; Hadani et al. 2012). This view of the private good of social capital is generally referred to as the egocentric approach (Burt 2015; Kostova and Roth 2003; Lin 2001), which is related to the direct and indirect relationships with others whom one can reach through one's networks. Other scholars, such as Barroso-Castro, Villegas-Periñan, and Casillas-Bueno (2016) refer to this egocentric approach as the external view because it views social capital as a resource that ties a focal actor to the other actors in the social network.

Yet, other studies of social capital have viewed social capital as a public good. For instance, Woolcock (2001) argues that social capital is a classic public good because of its non-exclusive nature of benefits to members of the community. The public good perspective is often referred to as the sociocentric approach of social capital. The focus on the social collectivity is comparable to Fukuyama's (1995a) and Putnam's (2000) notion of social capital as the trust and cooperative norms within communities and society, or the social cohesion which is 'more than the simple sum of individuals' social capital due to the existence of externalities

in the production of social capital' (Klein 2013, 896). Social capital can, thus, be considered as a societal-level attribute (Dakhli and De Clercq 2004; Fukuyama 1995b). It is a public good to enable the reduction of transaction and search costs and facilitate economic success (Kawachi and Berkman 2014; Putnam 2002).

Using the case of Italian regions, Putnam's (1993) highly influential work described the highly differentiated performance of the north-central regions of Italy and the south regions of Italy. The north-central regions of Italy were found to be linked by cooperative actions involving horizontal and open structures of government and society. On the other hand, regions in the south of Italy were marked by hierarchical and authoritative form of governance. Putnam (1993) found that the northern parts of Italy were in fact richer and more successful than the Southern regions because community members tend to be more involved in civic engagement to promote governmental efficiency. This civic engagement enhances collective norms and behaviours, which helps to build trust and connections among people. This sort of milieu underpins industrial districts and ideas of flexible specialization (see Rowley 1992, 1994, 1996). Fukuyama (1995b) also highlighted that trust within a given country (or even areas within a country) influences the functioning of the country's economy and hence its prosperity. In high-trust societies such as Japan, Germany and the United States, Fukuyama (1995b) indicated that organizations can expand in scope and efficiency to reach optimum economies of scale. In contrast, in low-trust societies, e.g. China, Italy, France and Korea, individuals are only able to organize within their own extended family to build commercial, social and political networks. Social capital, thus, becomes a necessary ingredient for the functioning of democracy and institutions.

Other studies that adopt the socio-centric approach consider social capital as social trust that is important for health, and therefore, it is considered as the indicator of a region's well-being (Kawachi and Berkman 2014; Pickett and Wilkinson 2015). Social capital has also been shown to exhibit a positive relationship with innovation at the country level. Doh and Acs (2010) study, for instance, shows that the overall level of social capital (trust, passive and active membership and norms of civic behaviour) is an important driver of entrepreneurship and has a positive influence on the overall innovation of a country. Similarly, Kwon and Arenius (2010) argue for the case of national social capital as an important contributor to the nation's entrepreneurial activities. Other studies indicate the antecedents of social capital in the society. For example, for Portes and Vickstrom (2011) it is ethno-racial diversity from immigration that may reduce the level of public trust and cohesion as social capital.

Existing studies are illustrated in the literature with different underpinnings of social capital as a private good or a public good. In other words, extant studies differ in terms of the network approaches they adopt – either the egocentric or the sociocentric approach of social capital. The collection of studies here also highlights the different approaches of social capital.

### ***Creation and outcomes of social capital***

Existing research on social capital unfortunately has not comprehensively examined the creation of social capital (Bolino, Turnley, and Bloodgood 2002; Johnson et al. 2011), with the majority of existing social capital literature focusing on the outcomes of social capital. Extant research is predominantly based on a prevalent assumption that social capital leads to beneficial outcomes (Kwon and Adler 2014; Nahapiet and Ghoshal 1998). A cognate body



of work has demonstrated that at the individual level of analysis, social capital enhances the efficiency of the actors' actions within the social structure (Bian, Huang, and Zhang 2015; Burt 1992; Hauser et al. 2016). An individual's social capital is positively related to favourable outcomes, such as finding jobs, attaining higher income or compensation and promoting occupational and status attainment (Bian, Huang, and Zhang 2015; Fernandez, Castilla, and Moore 2000; Hadani et al. 2012; Mouw 2003). Social capital has also been found to improve one's career success (Gubbins and Garavan 2015; Seibert, Kraimer, and Liden 2001).

At the organizational level, research suggests that social capital within organizations is an important resource for improving organizational performance (Ahearne, Lam, and Kraus 2014; Andrews 2010; Hollenbeck and Jamieson 2015). It reduces organizational dissolution and ensures higher survival chances (Fischer and Pollock 2004; Payne et al. 2011; Pennings, Lee, and Van Witteloostuijn 1998). It also leads to stronger organizational commitment and lower turnover rates (Dess and Shaw 2001; Ellinger et al. 2013; Watson and Papamarcos 2002). Organizational social capital, including managerial social capital, thus, improves a firm's economic performance and business operations, which in turn facilitates firm growth (Lins, Servaes, and Tamayo 2017; Maurer and Ebers 2006; Wu 2008). It further facilitates inter-unit resource exchange and product innovation (Camps and Marques 2014; Carmona-Lavado, Cuevas-Rodríguez, and Cabello-Medina 2010; Pérez-Luño et al. 2011; Tsai and Ghoshal 1998).

Moreover, social capital promotes cooperation and learning (Camps and Marques 2014; Hauser et al. 2016) and facilitates the development of knowledge networks in organizations (Dhanaraj et al. 2004; Phelps, Heidl, and Wadhwa 2012; Yu et al. 2013). It enables the creation of intellectual capital (Madhavam and Hunt 2017; Subramaniam and Youndt 2005) and influences the development of human capital (Ellinger et al. 2013; Rowley and Redding 2012; Suseno and Pinnington 2018). In addition, social capital encourages entrepreneurship (Burt and Burzynska 2017; Gedajlovic et al. 2013; Kwon and Arenius 2010; Stam, Arzlanian, and Elfring 2014) as well as facilitates information flow and reduces transaction costs (Liu et al. 2016).

On the inter-firm level, social capital has been found to create industry networks of start-up companies (Kohtamäki et al. 2012; Manolova, Manev, and Gyoshev 2010), promote industry creation and resource acquisition (Bhagavatula et al. 2010), enable inter-organizational collaborations and innovation (Carnovale and Yenyurt 2015; Demirkan and Demirkan 2012) and establish relationships between firms and financial institutions (Kreiser, Patel, and Fiet 2013). Indeed, scholars have indicated that maintenance and utilization of social capital can produce a number of positive outcomes for organizations and employees.

There are also increasingly studies that look at the multi-level perspectives of these approaches of social capital. For instance, Acquaah (2007) highlighted the effect of managerial social capital – the managers' social networking relationships and ties with community leaders – on organizational performance and that this relationship is contingent on the strategic orientation of the organization. Yu et al. (2013) indicated multi-level effects of social capital and knowledge sharing in teams. Similarly, Ahearne, Lam, and Kraus (2014) used an individual's ego-network to measure the centrality of the management network as a whole and found that there are curvilinear effects of middle managers' social capital on business unit performance. However, as noted by Payne et al. (2011), researchers have yet fully explored multi-level research in social capital to understand management and organizational issues.