

How to Leverage Social Capital to Drive Business Innovation

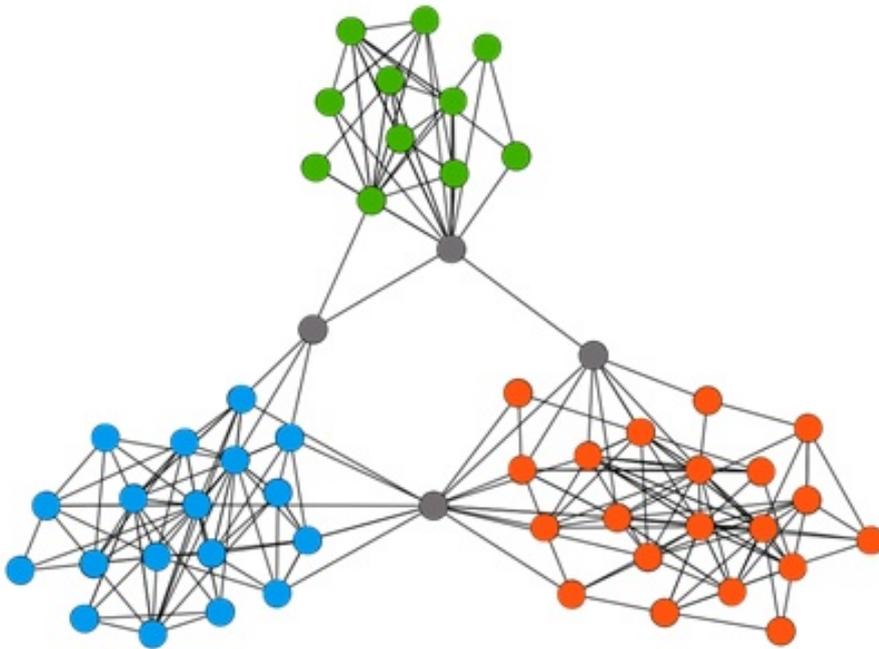
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In today's rapidly changing world, it is essential that organization's hire the most capable people. There is no doubt that human capital is an organization's greatest asset. However, having the best talent in the market is not sufficient. Organizations must also ensure that individuals are positioned for optimal success. In other words, bringing in the best people is only part of the solution. Organizations must also bring out the best in people. To do this entails unleashing an organization's social capital potential.

By definition, social capital is the competitive advantage that is created based on the way an individual is connected to others. And, recent research suggests we need to more strongly consider social capital to enable innovation and application. As a result, HR needs to simultaneously focus on both human capital and social capital practices. Advancements in organizational network analysis have enabled practitioners to take day-to-day interactions that were once invisible and make them visible so that they can be objectively evaluated.

Human capital can be thought of as the knowledge, skills, and abilities possessed by an individual. In contrast, social capital has more to do with how well an individual is positioned in an organizational network to leverage these abilities. If someone is talented but no one listens to them, what value do they actually bring to the organization? We all know a person who needs to make themselves known as the smartest person in the room and consequently gets themselves marginalized by their own network. Sadly, their intellectual resources are left largely untapped as a result.

The network diagram below represents the daily interactions between three different teams inside of an organization. By evaluating these connections, we can determine how well-positioned an individual is to leverage what they know. For example, the isolates in the network diagram are limited to sharing what they know with two or three other people on a regular basis, while those in the center of each of the three teams interact with many other individuals. As a result, those in the center are much better positioned to share knowledge with their teams. By examining the social capital of any given individual, we can determine if latent potential exists in the network.



Two primary aspects of social capital — group cohesion and brokerage — are particularly relevant to effective HR practices.

Group Cohesion

Group cohesion is best described as how connected an individual within a group is to others in the same group. Often referred to as clusters, groups are considered highly cohesive when they have many redundant connections within the group. The benefits of cohesive groups are that individuals are able to quickly share information and typically demonstrate higher levels of trust than less cohesive groups. In the diagram above we can see three cohesive groups, the red team, the blue team, and the green team.

Brokerage

Brokerage represents the bridge connections from one team to another. It occurs as brokers, bridge one team to another. In the diagram above, the four individuals represented as grey dots are brokers. These individuals are critical in bridging the three teams together. For individuals, being in a broker role has three specific competitive advantages namely: wider access to diverse information, early access to new information and control over the diffusion of information.

High performers tend to be uniquely positioned as brokers in the organizational network. Research shows that brokers are much more likely to be in the top 20% of performers within an organization. These individuals also get promoted sooner and are better compensated than others. The implications of social capital are even greater when it comes to driving business innovation and application. Brokers help to facilitate the creative aspects of innovation. They provide the bridge connections to enhance access to more ideas, insights, and information.

Research conducted by Ron Burt suggests that brokers are best positioned to have insightful ideas, and in one study of nearly 700 managers, he was able to determine that the value of any given idea corresponded to the degree in which a manager was also a broker. That is, the more managers acted as a bridge to other groups, the more valuable their ideas were. Brokers are intrinsically more likely to discover and distribute creative ideas across an organization.

On the other hand, ideas within cohesive sub-groups are more likely to be developed and applied. Small cohesive teams are able to quickly share and refine ideas. These cohesive groups are tightly linked by many redundant connections within a given team, resulting in deep trust. This level of trust enables individuals to more openly share, debate and refine ideas so that they can be applied.

HR would be wise to shift, at least part of their focus to unleashing the hidden potential within organizations through a better understanding of [social capital](#). HR needs to explore new practices that more fully leverage the competitive advantages of brokers to generate ideas, while also leveraging the level of trust in cohesive teams to bring those ideas to life.

To do this, HR needs to foster approaches that enable brokers to actively access novel ideas across the organization. They also need to leverage the capacity of cohesive groups to develop, and apply those ideas. In today's dynamic world, HR clearly needs to shift beyond human capital centric practices, to explore the emerging frontier of social capital through organizational network analysis.

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