

SOCIAL CAPITAL AS A MICRO-LEVEL ORIGIN OF ORGANIZATIONAL CAPABILITIES

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ABSTRACT

Organizational capabilities are socially complex practices that determine a firm's effectiveness in transforming inputs into outputs (Collis 1994). The resource-based view (RBV) thus theorizes that firms with capabilities that are valuable, rare, inimitable, and nonsubstitutable can achieve a sustainable competitive advantage by better leveraging their resources (Barney 1991; Wernerfelt 1984). A vast amount of literature has emerged in which organizational capabilities are central to explaining differences in performance outcomes (e.g. Slater, Olson and Hult 2006). However, as Zollo and Winter (1999) note, the RBV still lacks a solid account of how organizational capabilities come into existence. Despite their importance for firm prosperity and the increasing scholarly attention devoted to them, organizational capabilities remain underspecified (Kraatz and Zajac 2001) and empirical work on antecedents to capabilities is very rare (Danneels 2008; Newbert 2007). In particular, individual-level processes may play an important role in the origins of organizational capabilities (Felin and Foss 2005). We thus agree with Gavetti (2005: 599) who states that "research on capabilities needs microfoundations."

Recent conceptual work on micro-level origins of organizational routines and capabilities pertains to collective outcomes (Gavetti 2005; Zollo and Winter 2002), organizational evolution (Cho and Hambrick 2006), and organizational interest alignment (Gottschalg and Zollo 2007). However, empirical efforts to explore micro-macro linkages in capability development remain uncommon and should therefore be given priority (eg. Reagans, Argote and Brooks 2005; Vorhies and Morgan 2005; Zollo and Winter 2002). In this study, we explore the role of social capital as a potential micro-level origin of organizational capabilities, leveraging a conceptual framework introduced by Gu et al. (2008). In line with their argumentation, we argue that senior management's social interaction within an external network offers an explanation for how organizational capabilities come into being. By focusing on social capital's individual-level foundation and related interactional factors, we explore a new "basic element" (Lippman and Rumelt 2003) that drives differences in capability endowment of firms.

Examining survey data from 280 German firms, results from structural equation modeling indicate that social capital indeed is key antecedent for superior marketing and R&D capability. This research hence contributes to the RBV literature by introducing social capital as an important source for the development of organizational capabilities, and thus augments previous studies, such as Adler and Kwon (2002) and Nahapiet and Ghoshal (1998). It is among the first studies to broaden the RBV's unit of analysis and integrate individual level considerations in the predominantly organizational level concept. The authors conclude that the creation and maintenance of social capital is an important task for a firm's top management in order to keep the competitive edge.

References Available on Request.