Social Capital

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Reference this article

Abstract / Definition
Social capital is the set of resources derived from the networks of cooperation inside and outside the firm for the benefit of customers and shareholders. Social capital constitutes one of the key resource groups of a firm, which include financial capital, organizational capital and human capital. Inside the firm, horizontal interactions between business units, divisions and employees have a positive effect on productivity. The internal interactions and cooperative dynamics are likely to develop unique dynamic capabilities that are difficult to imitate and that would increase the firm’s competitive advantage. External networks of cooperation are developed by the firm through strategic alliances with suppliers, distributors and R&D outfits among others. The social capital derived from the networks helps the firms gain access to new materials, markets and technologies. Firms with strong internal and external networks develop a solid foundation of social capital, which enables them to be more agile and reactive to developments in the marketplace. These firms have a wider network of resources to call upon in order to meet new forms of demand and to exploit business opportunities.

Keywords
Social capital, social networks, cooperation, strategic networks

Link to publication