



ICTs and Social Capital

Setting the Scene

Workshop on ICTs and Social Capital in the Knowledge Society
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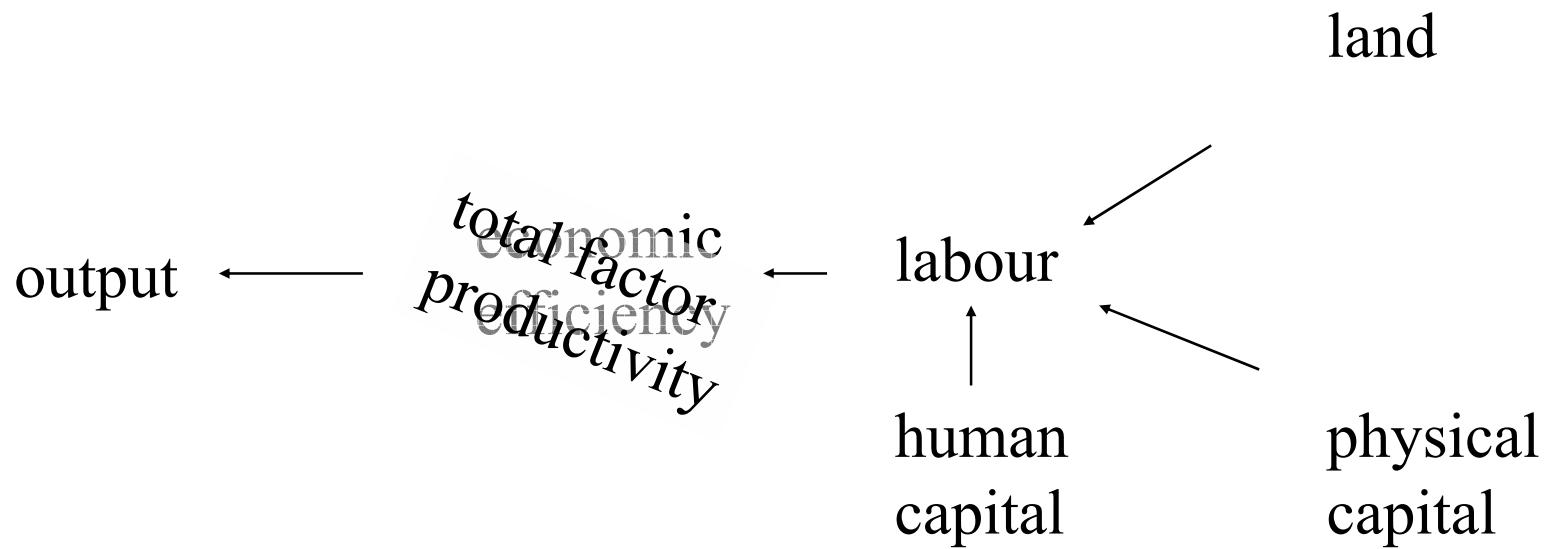


Basic concepts

- Social Capital = Social + Capital
 - “the missing link between growth and accounted inputs”
 - Unmeasured “capital” + “services”
 - “the missing link between economic growth and sustainable welfare”
 - Unmeasured output
 - “the glue that puts it all together”
- Capital
 - “asset that generates benefits over time”
 - investment \Rightarrow capital stock \Rightarrow service flow



Economic growth





The visible but unaccounted economic impact

- The “drivers dilemma”
 - Solved by traffic lights + norms + sanctions
- Diamond wholesale market
 - Lower costs through trustworthiness (lawyers unhappy, though)
- Labour market
 - “it’s not what you know, it’s who you know” (the importance of weak ties)
- Winning the Nobel
 - The shortest route: through the laboratory door of a Nobel laureate
- Learning to do e-commerce transactions
 - Ask your grandson (“Coleman in reverse”)



Hanifan

- “Those tangible substances that count for most of the daily lives of people: namely **good will**, **fellowship**, **sympathy**, and **social intercourse** among the individuals and families who make up a social unit...”

L.J. Hanifan (1916): “The rural school community center.” *Annals of the American Academy of Political and Social Science*, 67: 130-138.



Coleman

- “a variety of different entities [which] all consist of some aspect of **social structure**, and [which] **facilitate certain actions of actors**—whether personal or corporate actors—within the structure”



Putnam

- “features of social organization, such as networks, norms, and trust, that facilitate co-ordination and co-operation for mutual benefit”



Fukuyama

- “Social capital is an **instantiated informal norm** that promotes cooperation between two or more individuals.”
- “All **groups embodying social capital** have a certain radius of trust...”
- “The economic function of SC is to **reduce transaction cost** associated with formal coordination mechanisms...”
- “social capital arises spontaneously as a product of iterated Prisoners Dilemma (PD) games.”



Bourdieu

- “the aggregate of the **actual or potential resources** which are linked to possession of a durable network of **more or less institutionalized relationships** of mutual acquaintance and recognition”
- “depends on the size of the network of connections he can effectively mobilise and on the volume of capital (economic, cultural, or symbolic) possessed in his own right by each of those to whom he is connected”



Different views

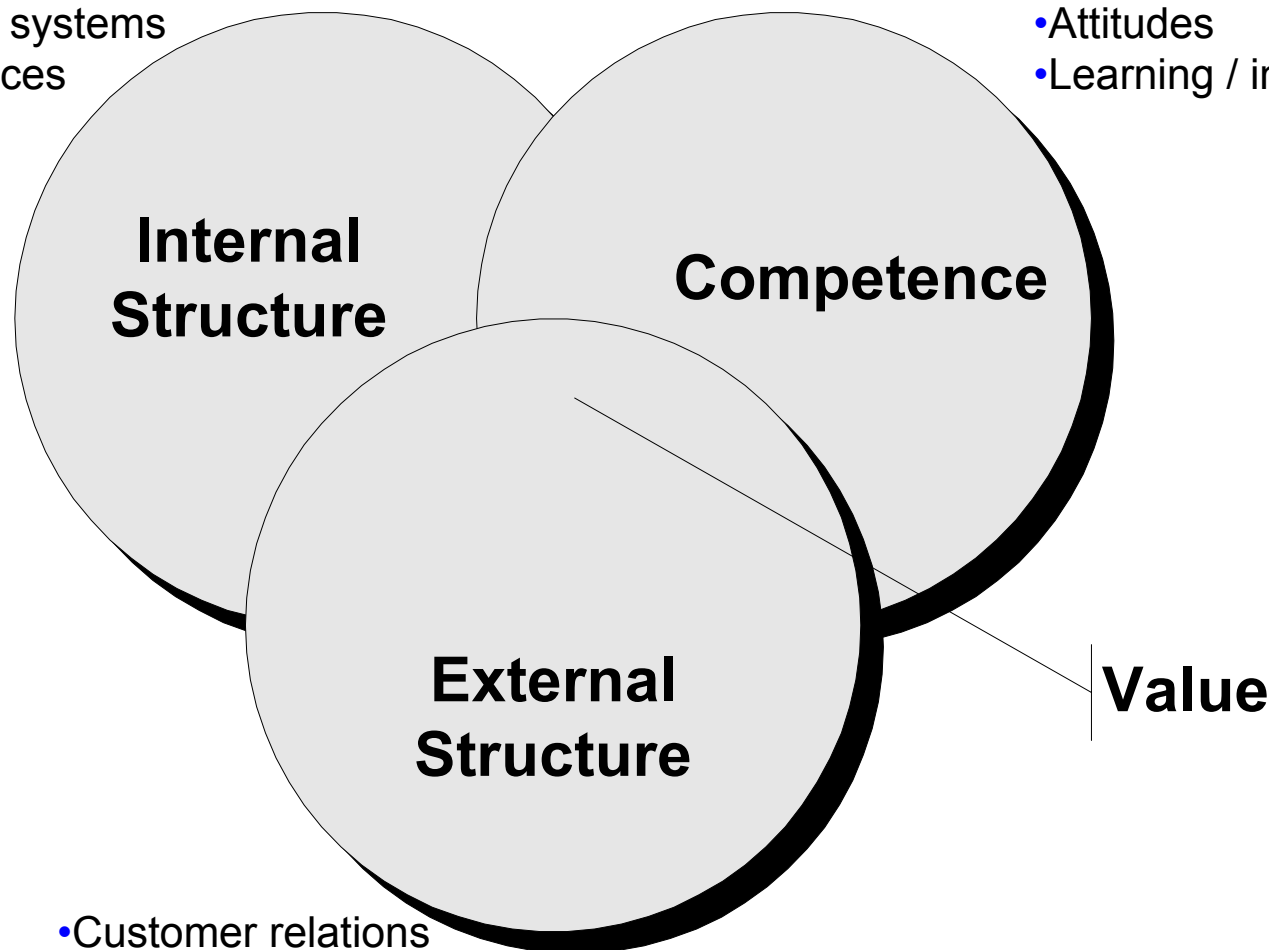
- Hanifan: outcome (well being)
- Putnam: collective productivity
- Fukuyama: lower cost
- Bourdieu: capital (borrowed)
- North: institutional enablers

- micro – meso – macro

Three components of business value generation in knowledge-based firms

- Management processes
- Information systems
- Work practices

- Skills
- Attitudes
- Learning / innovation



- Customer relations
- Stakeholder relations
- Reputation / Brand



Intellectual Assets Monitor

Joint Research Centre

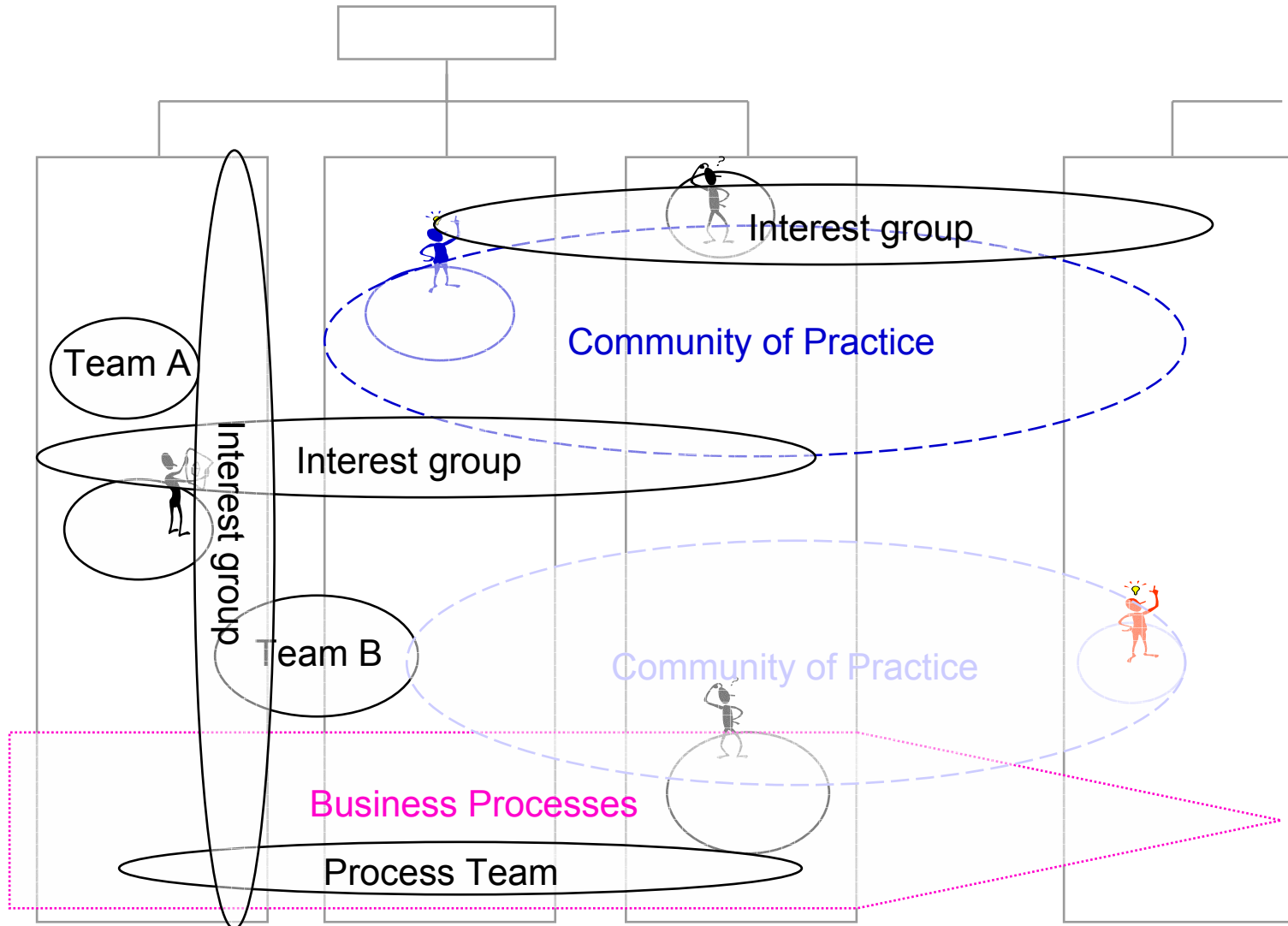
Our Customers (External Structure)		Our Organization (Internal Structure)		Our People (Competence)	
Growth / Renewal		Growth / Renewal		Growth / Renewal	
Revenue growth				Professional competence	7,8
Image-enhancing customers	40 %	customers	44 %	Image-enhancing customers	43 %
		Product R&D percent value added	18 %	Total competence, expert years	298
		Total investment in org. value added	33 %	Average education level	2,3
Efficiency		Efficiency		Efficiency	
Change in sales per customer	4 %	Change in sales per customer	4 %	Value added per expert	867
		Change in sales per administrative staff growth	-20 %	Value added per employee	665
Stability		Stability		Stability	
Repeat orders	66 %	Administrative staff growth	3 %	Expert turnover	10 %
Five largest customers percent	41 %	Administrative staff seniority	3	Expert seniority	2,3
		Rookie ratio	64 %	Median age	34

Growth and renewal

Efficiency

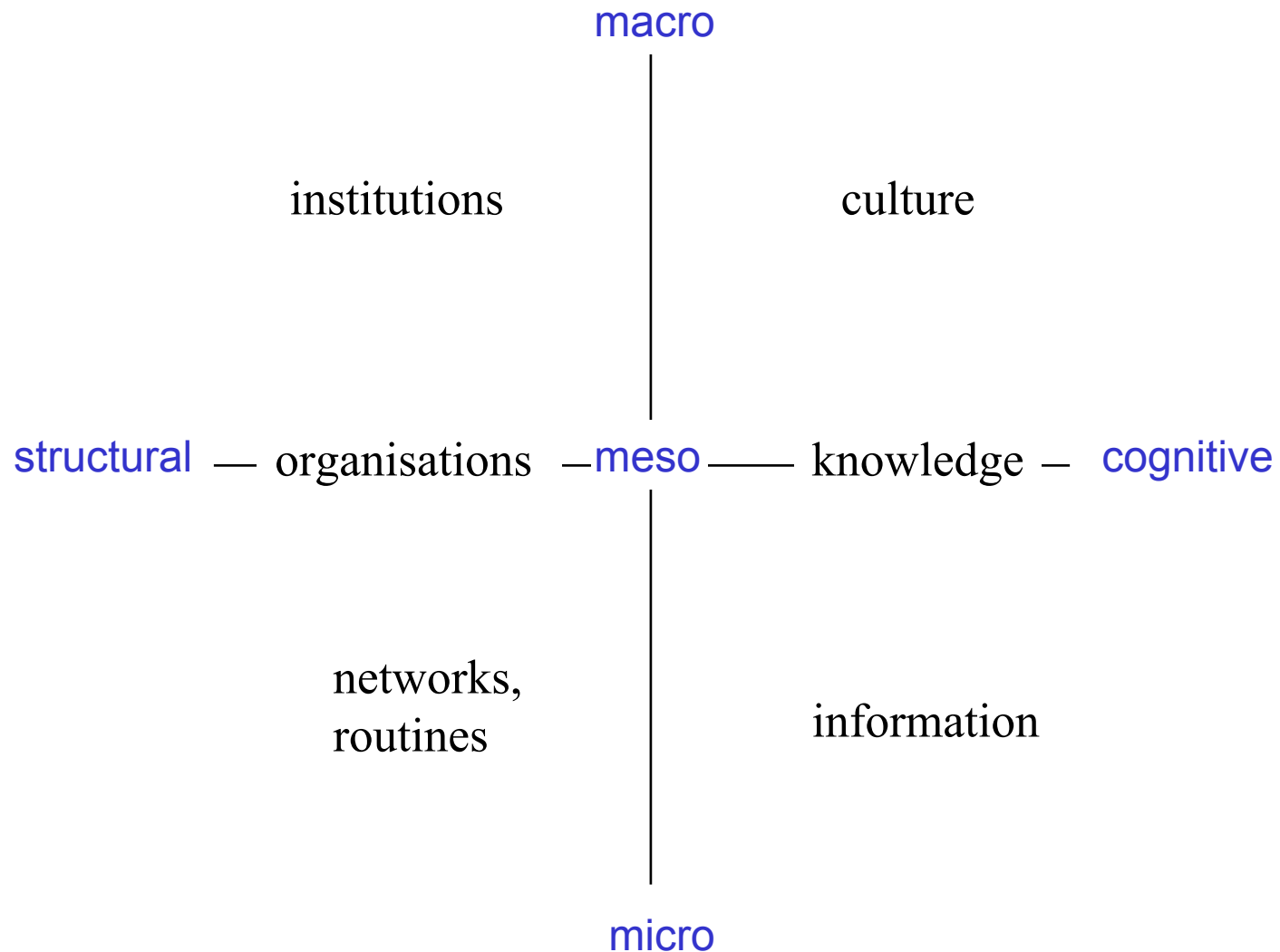
Stability

Knowledge Organizations



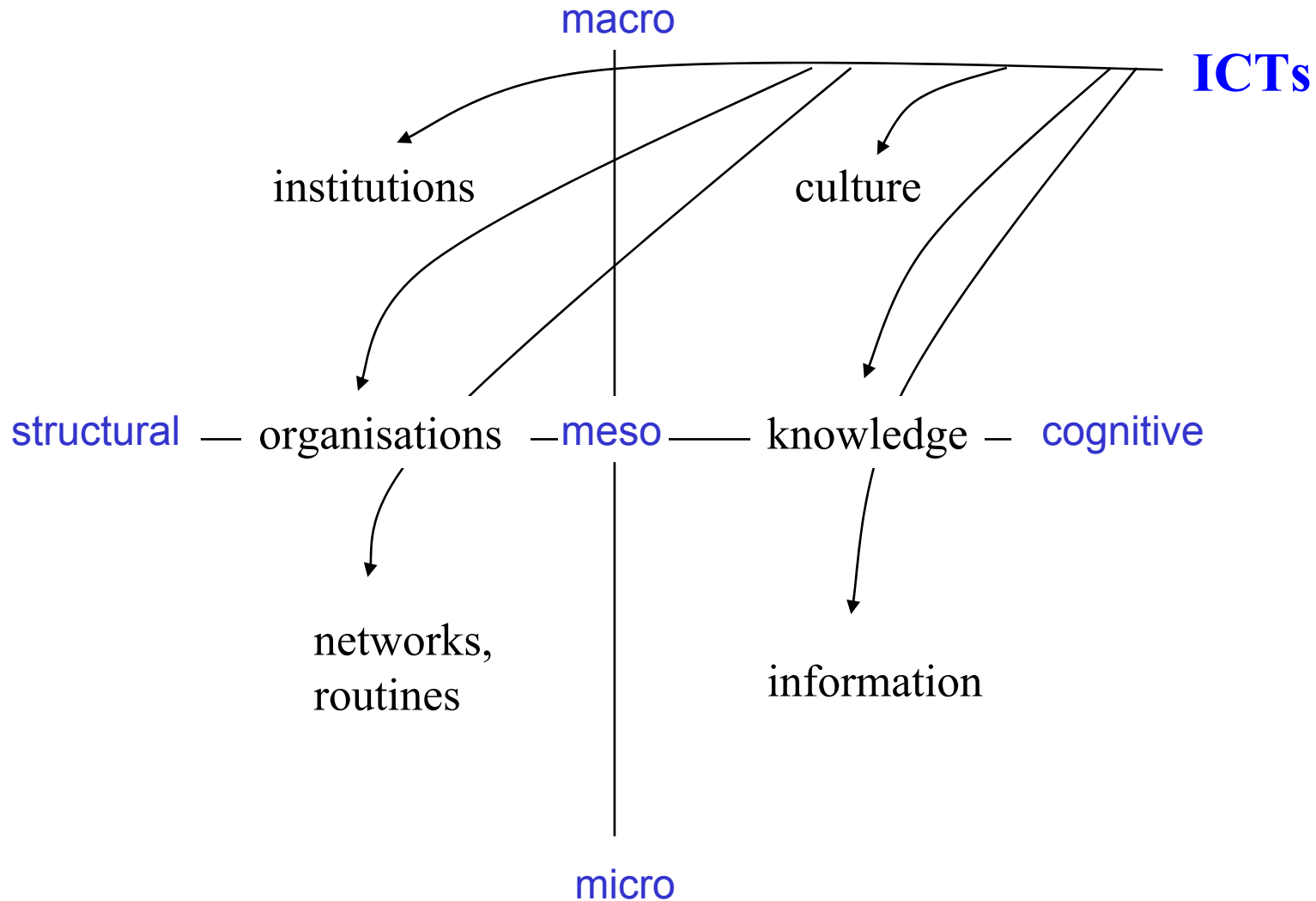


The Four Quadrants of Social Capital





ICT impact routes





An Example: Open Source Innovation Communities

- Exchange of social favors differs from economic exchange in two aspects (cf. Portes, 1998)
 - No single currency for social obligations
 - Timing of the repayment often unspecified



- Complementary contributions become possible
- Innovative contributions become possible



Example 2: Firm-level propensity to invest in innovation

- The willingness of business firms to invest in innovative activities depends strongly on social capital
 - External networks provide information about markets and competition, and decrease risk
 - The success and costs of new product introductions depends on existing external networks (innovation is easy, finding reference customers is difficult)
 - The growth capability depends on internal social capital (e.g. possibilities to reorganise resources and processes)



ICTs will change mechanisms of trust, institutions, value systems, networks, and information access. Open questions include:

- ICT as a source of improved access to labour market and economically relevant competences
- Impact of ICT and CMC on the generation and destruction of social capital; implications to civic society, regional development, organisations and the foundations of economy
- Social capital in social innovation and change; sustainable growth, social cohesion, innovation, and renewal
- The new dynamics of trust, transparency, and accountability