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Organisational Social Capital through Corporate Social Performance

A.H. Niţu, I. M. Niţu

Adrian Henorel Niţu
Faculty of Economics
"Aurel Vlaicu" University of Arad, Romania
Ioana Maria Niţu
Assistant Category Consumer Manager, Morphy Richards, Great Britain

Abstract
The purpose of this study is to identify the correlation between the corporate social responsibility performance and the Organisational Social Capital. Inductively, through grounded theory, this paper uses secondary data to develop a theoretical model which presents the relationship between the following concepts: business codes, stakeholders, Corporate Social Performance (CSP) and Organisational Social Capital (OSC). This study brings together two main areas of research, namely: Organisational Social Capital and business ethics. This represents a gap in the literature, to which this research will address.
Three propositions are put forward and discussed using secondary data collection methods. The findings suggest that there is a strong correlation between the characteristics which improve the quality of organisation-stakeholders relationship and the effectiveness of implementing business codes and, therefore, the increasing Corporate Social Performance. The proposed ethical framework has, at the same time, a similar effect by incrementing Organisational Social Capital, because it shares similar features with the

relation between organisation-stakeholders, business codes and CSP.

Keywords: Organisational Social Capital, Corporate Social Performance, Business Codes

Introduction

The concept of social capital is becoming increasingly popular in a wide range of disciplines including economics, sociology or political science and is considered to be a complex subject of research as the theoretical underpinnings and the concept itself are still debated in the research community. Social capital has had an impact on the study of families, social class, adolescent behaviour problems, education, public health, community life, democracy, economic change and general problems of collective action (Adler, 2002). The concept of social capital has its roots in sociology and political science where it is seen as the sum of resources available to individuals through their associated behaviours and membership in the community networks (Kawachi, 1999).

Research issue

This research refers specifically to the Organisational Social Capital and the aim of this study is to identify whether through implementing business codes in an organisation and therefore generating an increase in Corporate Social Performance (as empirically proven by Kaptein M. S., 2008), would also determine a potential increase in the Organisational Social Capital. In the social capital literature, OSC has been described as an important resource of an organisation, whereby the company is seen as a network where values, norms and procedures are being shared by its employees (Rhys, 2010).

The association of OSC with business codes derives from the fact that through the effective implementation of business norms, a company creates and cultivates a set of norms and values, through which it develops and maintains its relationships with other "*organisational networks*", such as stakeholders (i.e. employees, suppliers, competitors, communities, governmental bodies, etc.). The relationship between stakeholders and business codes is strongly analysed in the literature (see Erwin, 2011; Kaptein M. S., 2008), but not from OSC perspective. From the reviewed literature, the association between business codes, Corporate Social Performance and Organisational Social Capital represents a gap in the field of social capital research, a gap investigated through this study. In order to analyse this distinct relationship, this research will use a model of the effectiveness of implementing business codes, developed by Kaptein M. S. (2008), to which it applies the Corporate Social Responsibility Performance and the Organisational Social Capital theory.

Literature review

Social Capital

In the reviewed literature, social capital - as a concept - is addressed from two different perspectives, according to the focal point of interaction. These two approaches are mainly distinguished through the definitions of social capital of two key authors in this field of research: Pierre Bourdieu and James Coleman. Bourdieu regards social capital as the "*sum of resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance and recognition*" (Bourdieu, 1992, p. 119). Coleman defines social capital by its function underlining the fact that "*it is not a single entity, but a variety of different entities having two characteristics in common, they all consists of some aspect of social structure and they facilitate certain actions of individuals who are within the structure*" (Coleman, 1990, p. 302). Bourdieu sees the focus of social capital in the relations an individual maintains with other actors, while Coleman emphasises social capital in the structure of relations among individuals, within a group or community (Adler, 2002). Both authors draw attention to the intangible character of social capital, relative to other forms of capital i.e. physical, economic (Portes, 1998).

The aforementioned perspectives are divided into: "*structuralist*" approach, which considers social capital according to the connections of an individual, and "*interactionist*" approach, which regards social capital as being generated by social interaction (Rutten, 2010). According to the *structuralist* approach, an individual with many connections has more social capital than one with fewer connections and therefore the focus of this approach is on the number of social ties a person has.

The association of social networks and social capital has been studied by many researchers (Burt, 1992; Adler, 2002) who investigate the impacts and benefits of network structure on the network itself and on the individuals within that network (Rutten, 2010). Within the association of social capital and social networks, two distinct forms of social capital have been identified, "*bridging*" and "*bonding*" social capital (Rutten, 2010; Adler, 2002). Bridging social capital acts as a "*bridge*" between an individual and unrelated individuals in the same network, whereas "*bonding*" social capital arises in the networks where individual are strongly connected to each other and interactions between them are likely to be frequent. Both these forms of social capital arise from the *network structure,* rather than the simple interaction between individuals.

Therefore, the *interactionist* approach tries to take a step further by emphasising that the norms, values and trust that shape and create social interactions are the actual generators of social capital. This perspective argues that there are certain distinct features of social interactions that are different from one network to another (different norms and values), and therefore they generate various forms and types of social capital (Rutten, 2010). This approach stresses that the distinction between *bridging* and *bonding* social capital is a matter of perspective and that the behaviour of social capital is not only related to the structure of the network but to norms, values and trust encountered in social relations (Adler, 2002). Moreover, *interactionists* provide an explanation for the negative aspects of social capital on the basis that when norms, values or trust are broken, this may lead to detrimental results for individuals or groups (Rutten, 2010).

Organisational Social Capital

From an organisational point of view, social capital is considered to be a valuable resource that has the potential to generate positive outcomes. Portes (1998) argues that the novelty of social capital comes from the fact that a nonmonetary form of capital is an important source of influence and power through the creation of positive effects of sociability. Researchers have been criticising the importation of economic concepts into the social capital literature (Baron, 1994; Pawar, 2006). However, Adler (2002) provide a comprehensive list of characteristics which argue the validity of social capital as an important and valuable resource of an organisation by comparing this form of capital with others i.e. physical, financial and human.

Social capital is an asset into which other resources can be invested with the future expectation of benefits, although not guaranteed (Adler, 2002; Rhys, 2010). Social capital is "*appropriable*" (Coleman, 1988) as an individual's network can be used in various ways, and also "*convertible*" into other forms of capital, for example, by taking an economic advantage of one's position in a social network (Adler, 2002). Similar to other forms of capital, social capital can act as a substitute or a complement for other resources. In situations where a lack of financial or human capital is present, this can be substituted by the potential given by a superior "*connection*". Lazerson (1995) argues that social capital can help improve the efficiency of economic capital by reducing transaction costs, and therefore acting as a complement for other kinds of capital.

Moreover, similar to physical and human capital, social capital has to be maintained so that it can grow and develop in order to make use of its potential benefits (Adler, 2002). At the same time, social capital is a "*collective good*" (Coleman, 1988) as it is not privately owned, but rather its availability can be accessed by a group or community and therefore, located in the relations among individuals (Burt, 1992).

Lastly, investment in social capital cannot be quantified; however, in particular cases the benefits of investment in social capital can have a degree of measurement. Fernandez (2000) has managed to identify the bonus paid by a call centre company to its employees, who used their connections for recruitment purposes. However, they have not identified the investment in creating and maintaining these social relations (Adler, 2002). These characteristics are essential when considering the benefits of social capital in a business environment and thus, they show how significantly important such an intangible asset can be, considering also the fact that although being an asset, it does not depreciate, nor it cannot be taxed.

Furthermore, social capital has become increasingly used as a concept for explaining different issues encountered in an organisation:

1) Social capital influences ones' career (Burt, 1992; Gabbay, 1998; Podolny, 1997)
2) Social capital helps individuals find jobs (Granovetter, 1973, 1995; Lin N. D., 1996; Lin N. E., 1981)

3) Social capital stimulate product innovation; Hansen, 1998; Tsai, 1998; Perry-Smith, 2003), the creation of intellectual capital (Hargadon, 1997; Nahapiet, 1998) and cross functional team effectiveness (Rosenthal, 1996)
4) Social capital reduces the turnover rates (Krackhardt, 1993), facilitates entrepreneurship (Chong, 1997) and the formation of start-up companies (Walker, 1997)
5) Social capital strengthens supplier relationships (Asanuma, 1985; Dore, 1983; Uzzi, 1997) and inter-firm learning (Kraatz, 1998)

According to Rhys (2010), Organisational Social Capital consists of three key dimensions: *structural* (connections among actors), *relational* (trust among actors) and *cognitive* (shared goals and values among actors) (Nahapiet, 1998). These dimensions have a great influence on organisation outcomes by facilitating transactions which result in knowledge diffusion and collective action (Rhys, 2010).

Moreover, considering the aforementioned perspectives of social capital, i.e. *structuralist* and *interactionist,* these dimensions relate to both these approaches as firstly, they take into consideration the network structure and secondly, they stress the importance of sharing norms, values and trust among individuals. Therefore, when discussing OSC, the organisation is regarded as a network where employees who share similar goals, norms and values, generate *bonding social capital* through their social relations within the organisation and *bridging social capital* through their social relations with the organisations' external environment.

Cognitive Social Capital

Cognitive Social Capital is defined as "*the resources providing shared representations, interpretations and systems of meaning among parties*" (Nahapiet, 1998, p. 244). Tsai (1998) argue that it provides a shared vision which embodies collective aims and ambitions which in actual fact represent a shared culture (Inkpen, 2005). The notion of shared culture talks about the level to which norms of behaviour guide relationships, whereas collective aims refer to "*the degree to which parties share common understanding and approach to the achievement of common tasks and outcomes*" (Villena, 2011, p. 562). Entities that share similar cultures assist individual actions and promote collective interests (Coleman, 1988). Common actions within a social structure i.e.

an organisation, are facilitated by a set of norms which have the purpose of guiding appropriate behaviour (Gulati, 2000). Moreover, the establishment of similar goals have the potential to guide the nature, direction and magnitude of parties' efforts (Jap S. A., 2003). Adhering to similar goals reduces the existence of conflicts (Jap, S., 1999) and improves joint returns for the parties involved because they perceive this relationship as a potential to generate positive outcomes (Tsai, 1998).

Therefore, the cognitive dimension of social capital refers to a form of shared culture and similar goals through which the parties involved achieve a better perception of the behavioural norms and common aims within the existing relationship (Villena, 2011). Thus, the role of OSC relies on the establishment of the relationship between parties which share similar cultures, are committed to common goals and appreciate the relation as a potential to generate positive results.

Relational Social Capital

Relational Social Capital refers to "*trust, obligations, respect and friendship that actors have developed with each other through a history of interactions*" (Villena, 2011, p. 563). Relational capital enhances the strength of the relationship between parties, whereas Cognitive Social Capital relies on the commitment of the parties involved (Villena, 2011). One of the key elements of Relational Social Capital is trust, which is built through repeated actions and therefore, the parties involved tend to be less concerned about the potential egocentric behaviour of others (Blau, 1964; Jarillo, 1988). Hughes (2009) examine the relationship between buyer-supplier through social capital, mainly focusing on how OSC is built over time and it is reshaped when organisations consolidate their network, thus emphasising the relational dimension of OSC. Hence, Relational Social Capital has the potential to reduce opportunistic behaviour and develops cooperative behaviour among parties.

Structural Social Capital

Structural Social Capital refers to the way connections between parties are established (Burt, 1992). This dimension is concerned with the configuration of the connections within a social structure (Nahapiet, 1998) and it is analysed through the perspective of social ties (Inkpen, 2005). Coleman (1990) argues that these social ties have the potential to generate access to valuable knowledge. Structural Social Capital refers to the existence and configuration of connections within a social structure, unlike Cognitive Social Capital which relies on shared cultures and goals or Relational Social Capital, which refers to the strength of connections (Villena, 2011). Moreover, involved parties which improve the frequency and interaction of contacts at different levels (managerial, technical) or functions (engineering, marketing) provide the basis of the creation of a social structure that enhances the volume and diversity of shared information (Villena, 2011). Many scholars have investigated this dimension of social capital, explicitly in the field of purchasing. The study of Seevers (2010) examines how a retail buyer's network of industry peers influences retails performance and social capital through its structural properties and resources generated through an individual's relationship in a network. This study mainly focuses on the Structural Social Capital as it develops a framework which argues that through network configuration and contacts, an individual can have access to resources i.e. "access, referral and influence", provided by the buyer's network and therefore a significant impact on performance outcomes taking into consideration variables such as industry experience or organisational prestige.

Business Codes and Corporate Social Responsibility Performance

In nowadays economy, organisations have increasingly expended their level of operations across international borders and therefore, their ethical conduct becomes a social concern for both - the countries there are operating in and the organisation itself. Businesses have a great potential to transform people's lives by alleviating poverty through generating economic growth and creating jobs. However, an organisation must fulfil, at the same time, the wishes of its stakeholders. Ethical problems have increasingly arisen in the international business environment as the interconnectedness character of the world's economy is a generator of ethical concerns.

Kaptein M. S. (2008, p. 113) define a Business Code as a "*distinct and formal document containing a set of prescriptions developed by and for a company to guide present and future behaviour on multiple issues of at least its managers and employees toward another, the company, external stakeholders and society in general*". The focus of business codes can be internal, i.e. reflect how management and employees should conduct business, and external, i.e. how management addresses the company's stakeholders (Mathews, 1997) and society in general (Ferrell, 1994).

McWilliams (2001) define Corporate Social Responsibility as the actions of an organisation that can generate social good beyond the interests of the company itself. Also, CSR actions would normally go beyond any legal requirements and can range from adopting human management programmes to supporting local business or abating pollution. Corporate Social Performance has not been defined by its creator but rather explained through its characteristics i.e. *defensive, reactive* and *responsive*. The CSP's function is that of assessing how socially orientated an organisation is (Sethi, 1975).

Wood (1991) has developed a model of determining the CSP of a company based on Corporate Social Responsibility (CSR) principles and processes that guide the organisation's activities - namely, social policies which define the organisation's values and goals in relation to the social environment, social programmers which refer to the norms followed in order to implement social policies and social impacts which are the changes suffered by the company as a result of implementing social policies.

Regarding the association of business codes with "*ethics*", many scholars have argued that the adjective "*ethics*" is "superfluous" (Kaptein M. S., 2008, p. 113), whereby the nature of business codes already addresses the fundamental issues concerning ethics. However, this study discusses both the subject of business codes and ethics to a certain degree, as they are integrated in the Corporate Social Responsibility (CSR) of a company, and therefore, it believes that business codes incorporate ethical aspects and so does CSR, as it is formed by considering business codes. Hence, business codes are seen as the foundation of CSR, whereby ethical aspects are a part of both - business codes and CSR.

The link between business codes and Corporate Social Responsibility Performance has been theorized by many scholars who were investigating the effectiveness of whether business codes can lead to forming a Corporate Social Responsibility culture (Erwin, 2011). Erwin reviewed the literature that investigated this connection and reported that the majority of the empirical research done has stated a significantly positive effect of business codes on CSR. However, the results also show weak or no effects of business codes on Corporate

Social Responsibility which may occur from the use of different methodological approaches in the studies, industry related characteristics or country specific factors (Schwartz, 2001; Emmelhainz, 1999; Bondy, 2004). Erwin (2011) argues that the explanation of the mixed results from these studies comes from the fact that business ethical codes differ in terms of the quality or comprehensiveness of these codes and their implicit effect on CSR performance. Empirical studies have compared organisations based on the presence or absence of business codes rather than focusing on the quality and purpose of these codes (Kaptein M. S., 2008).

Erwin (2011) used qualitative and quantitative measures of code quality and CSR performance and conducted two analyses: a test to show whether organisations with high quality business codes are more represented in top CSR ranking systems and a second test to identify the relationship between code quality and CSR performance across a larger scale of ethical rankings. Therefore, Erwin research on the effects of code quality on CSR performance concluded that higher quality business codes were maintained by the companies that appeared in top of CSR raking lists.

According to Kaptein M. (2004), 52.5% of the 200 largest companies in the world have a business code and the ones that do not have one, are strongly pressured by their stakeholders or forced by law to develop a code (Waddock, 2004). Many studies have examined the effectiveness of having a business code and the results are mixed from ineffective (Ladd, 1985), uncertain (Myers, 2003), little impact (Lere, 2003), necessary (Cooper, 1990), valuable (Wood G. R., 2003) or successful (Dobson, 2005; Kaptein M. S., 2008). The empirical evidence analysed by Kaptein and Schwartz concluded that assessing whether business codes are effective is a matter of proving the effectiveness for the particular population of the specific research. Therefore, Kaptein and Schwartz developed an integrated research model for assessing the effectiveness of business codes which has been highly regarded in the literature (Erwin, 2011). Moreover, in their study, Kaptein and Schwartz argue that the effectiveness of a business code should be measured against stakeholders' expectations and this is the factor that guides and determines what effectiveness means for a particular organisation. What is important to mention here is the fact that business codes are a means of meeting stakeholders' expectations, and this is an argument that would contribute to the discussion related to Organisational Social Capital.

Using Kaptein and Schwartz integrated research model for assessing the effectiveness of business codes and also Erwin's adaptation of this model in terms of business codes quality, this study builds on these models the Organisational Social Capital theory in order to identify the link between these concepts, i.e. business codes, stakeholders, CSP and OSC.

Research methodology

This research aims to answer the following questions:

1) Do widely acknowledged Global Codes of Ethics provide the basis of the development of business codes?

2) Do organisations improve their stakeholders' relationship and CSP by implementing business codes?

3) Does organisation-stakeholder relationship and CSP increase OSC?

The article includes a theoretical foundation in order to provide a better understanding of the research context incorporating social capital theories relevant to this study and detailed illustrations on the specific dimensions of Organisational Social Capital. Next, business norms and Corporate Social Performance are introduced and explained in the context of the relationship between an organisation and its stakeholders. Based on the existing literature and theoretical foundation of the two concepts, in the next section, this study puts forward three propositions in relation with the integrated research model proposed by Kaptein and Schwartz. Using keywords that on one hand, describe OSC, and on the other, stakeholder-organisation relationship, these propositions are argued and discussed with the aim of generating a theoretical model of the source OSC through CSP. In the following section, the limitations of the theoretical model are discussed and recommendations are given for further research.

Results of the study

Proposition 1

Widely acknowledged global codes of ethics provide the basis of the development of business codes.

The first component of the model is represented by global codes of ethics. Global codes of ethics consists of a voluntarily set of standards that offer norms, values and procedures for overcoming ethical decisions regarding social and environmental issues (Gilbert, 2008). These are aspirational codes, derived mainly from various frameworks of moral philosophy (Laczniak, 2011). The most widely known codes of ethics that organisations rely on when conducting business are Caux Round Table Principles (CRT), Corporate Kyosei, Organisation for Economic Co-Operation and Development Guidelines for MNCs (OECD), the UN Global Compact (UNGC).

The CRT Principles are the results of a widely and extensive debate among an international network of business leaders that pursue moral and sustainable ways of conducting business (Laczniak, 2011). The CRT Principles promote three main ethical foundations for responsible business and for the fair functioning of society, namely: responsible stewardship, living and working for mutual advantage and the respect and protection of human dignity (CRT, 2009). Kyosei is defined as *a spirit of cooperation* in which individuals and organisations work together for the *common good* (Kaku, 1997).

A company that established Corporate Kyosei business code follow five stages: economic survival (establishing a predictive stream of profits and good market position), *cooperating* with labour (management and employee are working cooperatively), cooperating outside the company (treating stakeholders respectfully – suppliers and customers and becoming loyal and competitors become partners, organisation is assuming local social responsibilities), global activism (expanding production abroad and considering global social actions such as environment protection) and *governmental collaboration* (addressing global imbalances) (Kaku, 1997) (see table no. 1).

The OECD Guidelines is a forum of democratic governments that work together in order to promote principles such as sustainable development, respect for human rights, employee training and non-discrimination (Laczniak, 2011). Lastly, the UN Global Compact consists of principles concerning human rights, labour and worker responsibilities, environmental protection and anticorruption.

Laczniak argue that the UNGC is the largest corporate citizenship in the world and enables organisations to collaborate with governments, *civil society*, *labour* and other parties to enhance the importance of an ethically responsible business.

These global ethical norms are voluntarily by their nature and therefore cannot be imposed on organisations. However, businesses which adhere to be ethically driven incorporate these norms, values and procedures into their Corporate Social Responsibility allowing them to take the required actions of an ethically responsible business (Erwin, 2011). Business ethical norms represent a fundamental Corporate Social Responsibility tool that companies use to create and communicate responsible business practices and promote their ethical driven organisation culture (Collins, 2004). Moreover, these business norms are the foundation of an organisation's specific codes which are generated with the scope of meeting stakeholders' expectations (Kaptein M. S., 2008).

In order to establish its own business code, an organisation has to follow essential steps including code development and content which are to define the code quality (Erwin). These steps are considered to be part of the formulation process whereby code development is considered to be a prerequisite for code content (Erwin; Kaptein M. S., 2008). Code development implies issues which are consistent with stakeholder values and expectations (Stevens, 2005; Weaver and Trevino, 1999) and corporate values and objectives (Kaptein M. W., 1998; Webley, 2008).

According to Erwin, CSR performance is seen as a measure to determine the real and perceived ethical behaviour of a company and includes *meso-effectiveness metrics* i.e. stakeholder effects (corporate citizenship and ethical behaviour) and *macro-effectiveness metrics* i.e. social effects (public perception and sustainability) (Kaptein M. S, 2008). Erwin argues that the relationship between code quality and CSR performance is an empirical aspect of the theoretical framework of code effectiveness provided by Kaptein M. S. Therefore, the relationship between business codes and CSR performance is extremely important as it provides empirical evidence of the quality of business codes through Erwin's study.

Moreover, the implementation of code development and code content has a downstream effect on management, employees and the organisation itself (Erwin). Weaver (1999) states that business codes are considered ineffective if not distributed to employees and management. However, through their framework, Kaptein M. S. divides the impact of the effectiveness of business codes into micro-, meso- and macro- effectiveness. *Micro-effectiveness* is perceived as "*the degree of convergence between the objectives the company has with its code and the consequences for the company*", *meso-effectiveness* refers to *"the degree of convergence between what stakeholders expect and the extent to which their expectations are realised*" and *macro-effectiveness* refers to "*the degree of convergence between meso- and macrocodes and the social effects*" (Kaptein M. S., 2008, p. 120).

These three levels are extremely relevant to this study as they provide the basis of the discussion of the potential generation of OSC through business norms. Therefore, this study comes to the following proposition.

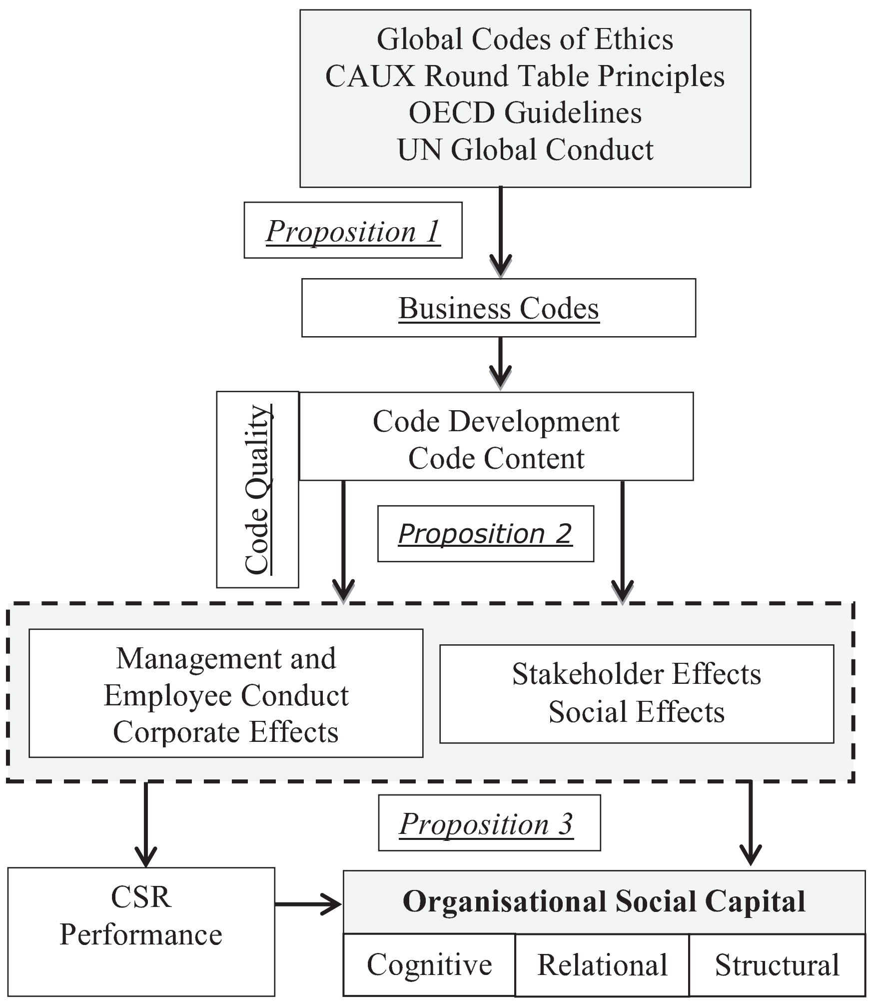
Through business codes, an organisation integrates social and environmental concerns into its business operations and interaction with all stakeholders (Roberts, 1992). The relationship between an organisation and its stakeholders has been mainly the focus of discussion for marketing scholars (Wilson, 2010). Freeman (1984) defines a stakeholder as "*any group or individual who can affect or is affected by the achievement of the firm's objective*".

The *primary stakeholders* of a company consist of shareholders, employees, investors, suppliers, customers, whereas the *secondary stakeholders* are governmental bodies, political groups, communities, associated corporations, prospective employees, prospective customers, environmental groups, competitors (Bisignano, 2012). Smudde (2011) argue that for an organisation to survive it must promote itself in a way in which stakeholders can find them valuable, therefore the relationship between the organisation and its stakeholders is linked through *shared values*, character of Relational Social Capital (see table no.1). The power of stakeholders is unquestionable and therefore an organisation needs to regard their wishes and even more, include them in any undertaken strategic decision (Roberts, 1992).

Proposition 2
Organisations which implement and adhere to business codes, improve their stakeholders relationship and the development of CSP.

The benefits of having a reputation as a socially responsible company has been empirically proven to enhance the overall company performance including increased financial performance (Orlitzky, 2003; Vershoor, 1998), reduced cost structures (via recycling), product differentiation, brand equity (Chen, 2005; Erwin, 2011). One of the most important benefits is considered to be the fact that through Corporate Social Responsibility a company aligns its products with consumer values and therefore it effectively manages its relationship with one of the its key stakeholder group (Erwin, 2011). Moreover, the negative impacts of violating ethical principles have increasingly become a real aspect of the business world with the existence of environmental fines or guidelines for corporate misconduct, thus proving strong incentives for organisations to adapt and also communicate its ethical principles to all its stakeholders (Thompson, 2003).

Fig. no. 1. A Model presenting the Relationship between Business Codes, CSP and Organisational Social Capital through Stakeholders'



Ullmann (1985) developed a framework in which a three-dimensional model is presented to explain the correlations among a company's social disclosure with regard to its Social Corporate Responsibility and its economic performance. One of these dimensions is stakeholder power which explains that a company will be responsive to the intensity of stakeholders demands (Roberts, 1992). Ullmann describes the influence of stakeholders' power over a company as a function of control over the company's resources and therefore the greater this control is, the more it will be addressed by corporate management (Roberts, 1992).

Roberts argues that if social responsibility activities are seen as an effective strategy of a company for dealing with stakeholders, then a positive relationship between stakeholder power and social performance of the company is expected. Moreover, Roberts provides evidence that suggest Corporate Social Responsibility activities are essential for developing and maintaining sustainable relationships with stakeholders and gaining a social responsible reputation is a strategic way for managing stakeholder relationships. Therefore, through the disclosure of corporate social responsibility activities, a company can effectively develop and maintain the relationship with stakeholders.

However, following Freeman's (1984) definition of stakeholder, the nature of the relationship between an organisation and its stakeholders has expanded its focus beyond that of the simple consideration of consumers and the business partners within a company's marketing channel (Wilson, 2010). Studies have analysed and examined this relationship in order to identify strategies for managing stakeholders, however a key contribution for arguing *Proposition 2*, is the work of Wilson, which sees this relationship as a social partnership defined as "arrangements working toward some common and among otherwise independent organisations" (Waddock, 1989, p. 79).

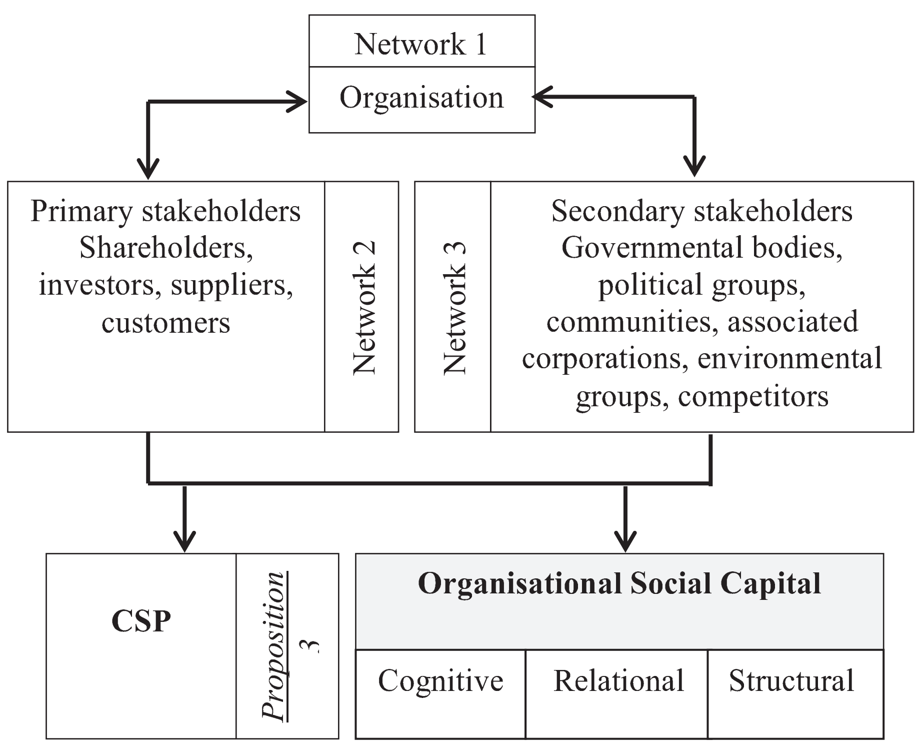
In their study, Polonsky (2002) argue that the organisation-stakeholder relationship is influenced *by trust, reciprocity, commitment, communication and power* (see table no. 1). These, are key elements of the dimensions of OSC. Given these previous arguments, this study develops a framework (see figure no. 2) which emphasis the relationship between organisation and stakeholders as a generator of OSC by considering its dimensions i.e. cognitive, relational and structural. However, the process of developing stakeholder relationships is in fact, as argued by Kaptein M. S. (2008), an effect of implementing business norms and therefore, the argument here is that stakeholder relationships is the link between OSC and Corporate Social Performance. Hence, CSP incorporates a certain degree of the quality of Organisational Social Capital.

Proposition 3

Organisation-stakeholder relationship and Corporate Social Performance enhances Organisational Social Capital through cognitive, relational and structural dimensions.

Wilson (2010) argues that the relationship between an organisation and its stakeholders is a "*social partnership*" whereby parties come together to resolve "*messy problems*" that cannot be addressed by a single entity. Even though Wilson sees this relationship from a project perspective, there is a strong case to argue the presence of Organisational Social Capital. Namely, the involved parties have initially different goals; however the social partnership creates a shared goal between parties whereby the aim is to solve a distinct problem.

Fig. no. 2. *A Model presenting the Organisation-Stakeholder and Corporate Social Performance Relationship through Organisational Social Capital*



Therefore, this underlines the presence of *Cognitive Social Capital.* Moreover, another characteristic distinguished by Wilson with regard to social partnership is the fact that the common goal cannot be achieved without an intensive interaction and *collaboration* within the collectivity of the parties involved. These are clearly features of *Structural Social Capital* (see table no. 1) which refers to the importance of the structure of connections to ease the knowledge transfer i.e. *collaboration* between the involved parties.

Moreover, the study of Wilson (2010, p. 76) argues a *cross-sector collaboration* which is explained using the example of the introduction of "*green*" and environmentally friendly products – "*collaboration of organisations across public and private sectors to develop new technologies for the benefit of society*". These organisations include investors, suppliers, legal, governmental and environmental bodies, etc. Therefore, not only the social structure across sectors is identified, but also the shared goal among these parties i.e. developing the new "*green*" technologies.

Furthermore, using the same example of green products, the parties involved are developing environmentally friendly products which appeal to consumers who share a concern for the environment. Therefore, as Edwin (2011) argues an organisation aligns its products with consumer *values* and therefore it effectively manages its relationship with one of its key stakeholder group. This effectively generates *Relational Social Capital* through the shared concern for the environment between an organisation and its consumers and also between the parties involved in developing green products (sees table no.1). Moreover, considering the aforementioned perspectives towards social capital i.e. *structuralist* and *interactionist*, the relationship between stakeholders and organisation falls into both categories.

Firstly, from a *structuralist* point of view, the more relations an individual has, the more is the potential to access resources provided through these relations. Therefore, in the above mentioned example considering the development of environmentally friendly products, the higher number of parties involved in the development of such products and consequently, the existence of a large number of relations among these parties, the more achievable the goal is.

Table no.1. *Shared Features between Organisation Social Capital, Stakeholder, Business Codes and CSP*

Organisational Social Capital Dimensions	Organisational Social Capital Characteristics	Organisation – Stakeholder –CSP Relationship	Business Codes and CSP
Cognitive Social Capital	Shared culture and vision, common goals	Shared goals, shared values	Responsible stewardship, common good
Relational Social Capital	Trust, friendship, respect, obligations, cooperative behaviour	Trust, reciprocity, commitment, communication	Respect, mutual advantage, spirit of cooperation
Structural Social Capital	Connections, social ties, frequency of interaction, structure, network	Cross-sector collaboration	Governmental, labour, civil society and local authorities collaboration

Furthermore, as figure no. 2 shows the relations among the three networks (organisation, primary stakeholders, secondary stakeholders) and provide the means of Organisational Social Capital from a *structuralist* perspective, the relations between Network 1 and Network 2 is considered a "*bonding social capital*", as the interaction between the individuals of these two networks is likely to be frequent, whereas the relation between Network 1 and Network 3 is a "*bridging social capital*", as the interaction is less frequent. Secondly, from an *interactionist* point of view, the common values, norms and procedures that these networks share are the key generators of Organisational Social Capital. Using the same example, the common goal of providing green products and thus appealing to consumers' values, is the basis that shapes the Organisational Social Capital generated from the relation between organisation and stakeholders.

Recommendations

This study tried to answer whether a CSP increase is related with an Organisational Social Capital increase through the stakeholder-organisation relationship. Many scholars have identified the following relationships: business codes-stakeholders, stakeholder-CSP and business codes-CSP. However, the theoretical novelty of this study is based on the existence of a positive correlation of Organisational Social Capital and CSP. This relationship has been theoretically discussed in this research; however, further research is necessary to empirically apply this theoretical model. Moreover, this model needs to be further evaluated by considering the nature of stakeholder-organisation relationship from a social capital perspective by applying the Social Network Analysis theory (Rhys, 2010).

Furthermore, Organisational Social Capital has a wider meaning than that of a company. It can include projects, non-for-profit organisations, voluntary associations, cooperatives, political parties or other organisational social groups. Therefore, the theoretical model identified in this study, is valid not only for companies, but also for any organisation which implements and adheres to business codes and develops and manages stakeholder relations as an effect of their Organisational Social Responsibility. Hence, the empirical studies needed to prove the proposed theoretical model, can also consider or include these organisations in their study.

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