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ASSESSING SOCIAL CAPITAL FOR ORGANISATIONAL PERFORMANCE: INITIAL EXPLORATORY INSIGHTS FROM GHANA

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Abstract. *Social Capital is a concept that describes good quality social relations that can lead to mutual benefit. The fundamental proposition of social capital theory is that networks of relationships grant access to resources, especially information benefits not available to non-members of the network. This study assessed the functions of social capital within Ghanaian organizations, described the patterns and determinants of social capital use within organizations and explored how social capital contributes to firm performance using a sample frame of firms listed in the Ghana Club 100. A questionnaire field survey supplemented by personal interviews was chosen as the most appropriate design for this investigation. Employees were sampled across the organizational hierarchy based on their responsibilities held, positions, type of relationship held with others within the organisation. Data was also collected on the demographic characteristics and organisational dynamics. The results showed that social capital is critical to knowledge sharing in the Ghanaian organization; that it helps to get things done and helps in the attainment of organisational objectives. The findings also suggested that three determinate variables of social capital: reciprocity, trust and institutional ties, have the most significant positive relationship with organisational performance. In view of that, the study recommends that firms take a proactive approach towards promoting, building and maintaining viable social networks within their structures in order to derive maximum benefit from it.*

Key words: *social capital, organisational performance, Ghana*

1. Introduction

The debate surrounding social capital was spearheaded by sociologists and political scientists like Bourdieu (1983; 1986) and Coleman (1988), who stirred academic debates on the social context of education. However, it was works by Putnam (1993, 2000, 2002) that launched social capital as a popular focus of research and policy discussion.

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The World Bank (1999) also lent support to the popularity of the concept by singling it out as a useful organising idea. They argued that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital has also in recent times captured the attention of organization and management scholars who have shown an increased interest in the concept as a way of thinking about organizational development.

In general, social capital is the glue that brings and holds communities together (Cohen & Prusak, 2001). It refers to networked ties of goodwill, mutual support, shared language, shared norms, social trust, and a sense of mutual obligation that people can derive value from. Subsequently, social capital is in relation to value gained from being constituent of a network. By being a member of a group, people gain access to resources that non-members do not have. These resources range from example, access to potential career moves, and access to resources in entrepreneurial start-up processes, to access to cooperative services in developmental countries.

Although the concept of social capital has a much longer existence (cf. Hanifan, 1916), discussions on the topic have accelerated in the last two decades. Many scholars in different fields have turned their attention to the study of social capital. The term has been used in a multiplicity of ways. Some researchers have described it as the attribute which enables an individual to dig up advantages as a result of his or her relative status or location in a group (e.g. Burt, 1997). Other scholars have described it as an attribute of communities (e.g. Putnam, 1993a), nations (e.g. Fukuyama, 1995), and industry networks (e.g. Walker, Kogut & Shan, 1997). Nahapeit and Ghoshal (1998) also referred to social capital as an organizational phenomenon when they described mechanisms by which social capital can facilitate the intellectual capability of firms. Therefore, social capital can be seen as the positive value inherent in social relations and networks. Indeed, Browning et al. (2000) note that the concept of social capital has typically been regarded as a resource rooted in social structure that may aid in the pursuit of a wide variety of beneficial outcomes. However, some researchers (Portes & Landolt, 1996; Sandefur & Laumann, 1998), as cited by Browning et al. (2000) have expressed concerns about the pervasive focus on the beneficial effects of social capital and a tendency to neglect its potential downside. For instance, Flache (1996) opines that "in a social dilemma, actors may sometimes find it attractive to utilise social relations for personal ends that are unrelated to or even in conflict with collective goals" (p. 3), as cited by Browning et al. (2000).

Social capital: personal networks as an asset

Social Capital theory is mainly based on the proposition that the networks of relationships within and without a group constitute a valuable resource for members of the group (Bourdieu, 1986, p.249). This resource, construed as capital, is embedded within networks of mutual acquaintance and recognition (Nahapiet & Ghoshal, 1998). Social Capital is thus an inherent value in human relationships and connections. This implies that

Social Capital is a resource input that facilitates production, but is not consumed or used up in production (Coleman, 1994). It also implies that Social Capital is an aspect of social organization and fundamentally a property of the group, community or society.

The idea of Social Capital can be intuitively grasped by conceiving it as what ordinary language calls 'connections': people are connected to others based on trust in some others. People are obliged to support others depending on exchange with certain others. An individual's connections are his or her assets. Those assets in essence, constitute social capital (Burt, 1997). From the human capital perspective, inequality of incomes and differences in the pace of promotions at the workplace can be explained by differences in individual ability (Becker, 1975). This evidence is obviously valid because human capital is surely critical to success. But it is equally valid that human capital is useless without the social capital of opportunities (connections) with which to apply it (Burt, 1997).

Trust, understanding, connection and sense of membership are values that accumulate over time from acquaintanceships and relations instantiated by individuals. These values become embedded in groups within and without the organization. For the purposes of this study, we adopt the view that social capital is a property of social groups and define social capital in line with Nahapiet and Ghoshal (1998) who describe it as the sum of the actual and potential resources embedded within, available through and derived from the relationships possessed by a group. The fundamental proposition of social capital theory is that networks of relationships grant access to resources, especially information benefits not available to non-members of the network (Burt, 1997). Returns to intelligence, education, and seniority depend on a person's location in the social structure. Social capital encompasses processes and conditions among people and groups that bring about cooperation towards accomplishing a goal of mutual benefit. This goal could in fact be the objectives of a firm.

Social capital and organisational performance

The capital in social relations lies in their value in enhancing the outcome of actions, whether of a firm or an individual (Coleman, 1998). In a study of small-scale manufacturing entrepreneurs in Ghana, Barr (2000a) found evidence that Ghanaian entrepreneurs value networks. She found support for her hypothesis that contacts contributed to technical informal flows among enterprises, and that these flows not only make a positive contribution to individual firm performance but generate spillovers to other firms as well. In this present study, we adopt the definition of firm performance as being the ability to get work done (Cohen & Prusak, 2001; Adler & Kwon, 1999) as well as its characterization by Nahapiet & Ghoshal (1998) as successful work performance.

Problem statement and significance of the study

In an analysis of why Ghanaian entrepreneurs valued their networks, Barr (2000b) also found that the networks reduce search and contract enforcement costs through information sharing. However, the challenge has been that in spite of evidence that seems to suggest social capital can enhance organizational performance, the phenomenon has not been sufficiently highlighted and studied systematically in Ghana. Hence we assess in this study the relevance of social capital to Ghanaian organizations using firms listed in the Ghana Club 100. We assess the functions of social capital within Ghanaian organisations, describe the patterns and determinants of social capital use within organizations and how social capital contributes to firm performance.

Research on social capital is just beginning to flourish. But studies on the subject in Ghana are just beginning. This research is significant in as much as it pioneers the body of literature on the subject in the country. Quite apart from its academic relevance, it is timely in the wake of contemporary efforts at harnessing a resource such as social capital which has been taken for granted over the years. Ghanaian human resource professionals are now more than ever in need of some insight into what role the resources embedded in a group can play in improving worker performance and overall organizational growth. Policy makers will equally find this study useful to the extent where it informs policies that enhance the positive externalities and diminish the negative consequences of the Social Capital embedded in the society.

Study objectives and hypotheses

The firm is made up of individuals and groups who work collaboratively and establish and maintain both trust-based relationships and networks of contacts. Firms that recognize and incorporate the concept of Social Capital as an input into their operations will have an advantage over their competitors who cannot. The reason is that firms compete in complex environments that are technically demanding, information intensive and require coordination among different actors and different stages of their operations. It is assumed that social capital can make a significant contribution to firm performance by providing access to information and reducing the costs of contracting and coordination (Coleman, 1990). Failure to recognize and explicitly incorporate the concept as an input may limit organizational performance.

Based on the above, the study is designed to meet three main objectives:

- To assess the functions of Social Capital within Ghanaian organizations
- To assess the contribution of Social Capital to firm performance
- To describe patterns and determinants of Social Capital use within and across firms.

We also underpin the study objectives with the following statements of propositions and hypotheses:

1. *Organisations with high Social Capital will report higher firm productivity than organisations with low social capital.*
2. *Social Capital has a significant positive relationship with organizational performance.*
3. *Determinants of Social Capital (reciprocity, trust, institutional ties, diversity of contacts, density of personal contacts, social ties) have a positive relationship with organisational performance.*

2. Conceptual framework

Social capital defined

Social Capital is a three dimensional phenomenon which Adler and Kwon (2000) described to be the shared networks, norms and beliefs of a group of individuals. Social Capital is nostrum; 'it's not what you know, but whom you know that matters' (Fine, 2003). All forms of social relations can build social capital, be they informal or formal relations. Social Capital provides individuals with resourceful (*e.g. enhanced communication, networking and better access to resources*) relationships that go a long way to predict organisational performance.

The informal structures in an organization are the connections among its people covering both work-related and non-work-related interactions. Informal relations of individual members may also go beyond the firm to cover professional networks, friends and colleagues from earlier jobs. A person's former contacts entail passive relations not currently used, but which can be mobilized for new activities. The person's active contacts on the other hand involve those relations currently being used. Thus, reduced to the individual level, the direct Social Capital of a person is embedded in the set of people with whom that person communicates (Bourdieu, 1986; Burt, 1992; Coleman, 1988). The quality of this direct Social Capital may equally be influenced by the person's interactions with other people outside his or her original set of contacts.

At the firm level, connections between people within the firm and with outside parties, which give the firm or its members access to new knowledge, may be said to constitute the firm's Social Capital (Burt, 2000; Adler & Kwon, 1999). Social Capital can then be seen as the degree to which the firm or its individual employees use such mechanisms as networks, trust, norms and values in the group, community or society members to achieve organizational goals. More organizations are learning that the social interactions and relationships we have at work (Internal Social Capital) and beyond (External Social Capital) are part of the invisible glue that makes it possible to get work done and achieve organisational goals (Cohen & Prusak, 2001). Others, Adler & Kwon (1999) go a step further to explain how Internal Social Capital helps to get work done. Work is done through the structure and content of relationships held by members of the organisation. Nahapiet and Ghoshal (1998) also identified the cognitive aspect of Social Capital to be a contributing factor to successful work performance.

The cognitive aspect of Social Capital helps individuals in a group to share goals and vision for the organisation. In this sense, it is what makes an organization more than just a collection of individuals. An organization with high Social Capital will therefore be the company where the trustworthiness, understanding, connections and sense of membership of employees yield high returns of organizational performance. Of course, when suspicion, rivalry, chaos and rapid turnover reign, organizations will be deemed to have low Social Capital (Cohen & Prusak, 2001). In the presence of rivalry, chaos and mistrust the quality of work done would suffer. Burt (1992) has identified that one way to eliminate low Social Capital would be to tighten structural holes.

Empirical research has shown that information interactions developing inside the firm's workforce improve the diffusion of information and foster the creation of a stock of knowledge which constitutes an asset for future production processes. Stated differently from Becker's (1975) notion of "specific human capital," such a stock is relational in nature, and exists only as long as it is shared among workers. We may identify two main channels through which Social Capital may affect productivity. Firstly, Social Capital fosters the diffusion of knowledge and information among workers, 'making possible the achievement of certain ends that would not be attainable in its absence' (Coleman, 1990, p.302). Secondly, social interactions may affect workers' effort and motivation.

In their famous study on organisations, March and Simon (1958) argued that, even if managers are authoritative and the enterprise's hierarchy is definite and well functioning, employees are able to influence task achievement in different ways, like delaying orders' execution and, more in general, carrying out opportunistic behaviors. Many studies show that, if human interactions within the workforce are trustworthy and relaxed, employees are more inclined to do their best at work, and will be more likely to sanction shirking behaviors through peer monitoring (Kandel & Lazear, 1992; Osterloh & Frey, 2000; Huck, Kubler & Weibull, 2001; Rees, Zax & Herries, 2003; Carpenter & Seki, 2004; Minkler, 2002).

Importance of social capital

Lin (1999) adduces three general explanations as to why Social Capital will enhance the outcomes of actions. First of all, the resources embedded in a group or networks facilitate the flow of information. Under normal conditions, social ties within the group and between the group and other individuals as well as groups located in certain strategic places and/or hierarchical positions (and thus better informed) can provide an individual with useful information about opportunities and choices otherwise unavailable. Similarly, these ties may alert a firm and its management to the availability and interest of an otherwise unrecognized individual or opportunity. Such information could, for example, reduce the transaction cost involved for the firm in recruiting individuals with relatively better skills, or technical knowledge. For individuals, it could equally reduce the cost in terms of effort and money to find better firms which can use their capital and provide appropriate rewards.

Secondly, managers and other professionals with critical decision-making roles such as in hiring or promotion may be influenced by these ties. Due to their strategic nature, especially with people in authority or supervisory capacities, some social relations carry more valued resources and greater power in employee or management decision-making in the firm. Thus, whether within or outside the firm, someone "putting in a word" carries a certain weight in the decisions that concern the group, an employee or even the firm itself (Lin, 1999).

Thirdly, the acknowledged relationships between the individual and his or her group and those between the group and other individuals and groups outside the firm may be conceived by the firm as certifications of the individual's or group's social credentials, which reflect the individual or group's accessibility to resources through social networks and relations – Social Capital. These relationships can reassure the firm that the individual or group can provide additional resources beyond the individual's or groups' personal capital, which may be useful to the firm. Social relations may reinforce identity and recognition. Being assured and recognized of one's worthiness as an individual and a member of a social group sharing similar interests and resources may not only provide emotional support but also public acknowledgement of one's claim to certain resources. These reinforcements are essential for the maintenance of mental health and entitlement of resources. Thus, information, influence, social credentials and reinforcement may explain why Social Capital procures inactions enhancements not accounted for by other forms of capital such as physical or human capital. Another usefulness of Social Capital is that it may engender better controls. It may control the behaviour of members of the group and reduce negative behaviour such as lateness, absenteeism and moral hazards (Onyx & Bullen, 2000).

However, as has been noted earlier, some concern has been expressed about the pervasive focus on the beneficial effects of social capital and a tendency to neglect its potential downside (Portes & Landolt, 1996; Sandefur & Laumann, 1998). Indeed, Albano and Barbera (2010) cite Baker and Faulkner (2004), as stating that the "dark side" of socially embedded transactions is also common in financial frauds, mainly because "the trust engendered by personal relations presents, by its very existence, enhanced opportunity for malfeasance" (Granovetter, 1985, p. 491), after Albano and Barbera (2010).

Social capital versus human capital

Invaluable contribution of Social Capital to both individual and organizational success has been acknowledged by several scholars. To get employment one needs Social Capital in addition to human capital. Who gets to the top of corporate America for instance has been explained by Social Capital (Burt, 1997). Social Capital is what makes the cost to firms of formal coordination mechanisms such as contracts, hierarchies, bureaucratic rules, and the like manageable (Fukuyama, 1999). For example, most contracts suppose a certain amount of goodwill that prevents the parties from taking advantage of unforeseen loopholes. In any case, it is often less efficient to incur the additional transaction costs involved in monitoring, negotiating, litigating or enforcing formal agreements that try to specify all contingencies (Fukuyama, 1999).

Generally, Social Capital often leads to greater efficiency than purely formal coordination techniques. Highly centralized, bureaucratized workplaces create much inefficiency as decisions are delayed and information distorted while moving up and down hierarchical chains of command. As a result many firms are replacing their hierarchical organograms with much flatter management structures which push responsibility down the ladder. Workers are encouraged or even authorized to make decisions on their own, rather than referring them up a managerial hierarchy. This bureaucratic nature of work often leads to greater inefficiency. But these gains are totally dependent on the Social Capital of the workforce. If there is distrust between workers and managers, or widespread opportunism, then the delegation of authority required in a typically flat system will lead to instant paralysis. This is in effect what happened to General Motors during the strikes of 1996 and 1998, when a single dissident local worker (angry over the outsourcing of brake parts) was able to shut down the company's entire North American operations (Fukuyama, 1999).

Social Capital has been found to be particularly critical to knowledge sharing in businesses (Florida, 1995). In the past, tyrannical companies could thrive despite their low Social Capital, particularly if most of the work was repetitive or mechanical (Fukuyama, 1999). In today's fast-paced business world, success depends on responsiveness, inventiveness, collaboration and attention. These are fostered by the Social Capital that is inherent in groups within the organization and without (Cohen & Prusak, 2001). Like other forms of capital therefore, Social Capital is productive, making possible the achievement of certain ends that would not be attainable in its absence (Coleman, 1990). Informal intellectual property exchanges for instance may not be possible without social capital (Annalee, 1994). Social Capital is clearly an asset that can benefit the organization (e.g. creating value for shareholders) and its members (e.g. enhancing employee skills (Gabbay & Leenders, 1999).

In contrast with human capital which is a quality of individuals, Social Capital is a quality created between people (Coleman, 1990; Burt, 1992; Putnam, 1993; Lin, 1998). Social Capital predicts that returns to intelligence, education, and seniority depend in some part on a person's location in the social structure (Burt, 1997). While human capital refers to individual ability, Social Capital refers to opportunity. Some portion of the value a manager adds to a firm is his or her ability to coordinate other people, i.e. identifying opportunities to add value within an organization and getting the right people together to develop the opportunities. Knowing who, when and how to coordinate is a function of the manager's network of contacts within and beyond the firm. Certain personal relationships in and outside the firm can enhance the manager's ability to identify and develop opportunities. Managers with more Social Capital get their returns to their human capital because they are positioned to identify and develop more rewarding opportunities (Burt, 1997).

There are increasing calls for businesses to promote the development and maintenance of Social Capital (Miles, Miles, Perrone & Edvinsson, 1998). Human Resource professionals need to grasp the crucial role of human dynamics and interactions (Social Capital) to the success of a firm (Cohen & Prusak, 2001). A good business strategy is not all it takes for an organization to succeed; Social Capital creates and maintains robust organisations. It is against this backdrop that this study seeks to address how important Social Capital is to the organizations that form the Ghana Club 100, and consequently, find out the contributions of Social Capital to their performance.

3. Methodology

Research design

The study adopted an exploratory methodological approach in examining the functions of social capital, described the patterns and determinants of social capital use and exploring how social capital contributes to firm performance in Ghana.

Sampling

The random sampling technique was used to select companies listed in the Ghana Club 100 for the survey which was conducted between January and March 2010. A stratified sampling method was used to select source of the data. This approach was used to obtain a balanced data from key stakeholders within organizations: management, senior staff and junior staff members were surveyed. A previously piloted questionnaire was then distributed to the respondents. This was supplemented by structured interviews with key respondents from various organisational departments. A brief overview of the Ghana Club 100 is provided below.

Ghana Club 100 (GC100) profile

The GC100 is an annual compilation of the top 100 companies in Ghana to give due recognition to successful enterprise building. It was launched in 1998 by the Ghana Investment Promotion Centre (GIPC), the government agency established under GIPC Act 1994 (Act 478) to encourage, promote, monitor, and facilitate investment in all sectors of the Ghanaian economy with the exception of mining, petroleum, free zone activities and the privatisation of Government entities.

The GC100 focuses on corporate excellence (both governance and performance) and encourages businesses in Ghana to demonstrate and lead the nation's efforts in the global business environment. Companies making it into the GC 100 are to serve as role models for the private sector and provide a forum for corporate Ghana to interact with the government as well as international institutions and counterparts at a high level. To provide a representative sample of the Ghanaian industries, ranked companies are selected from the following key strategic areas: agriculture and agri-business, financial services, information and communication technology, and infrastructure. The rest are education, health, manufacturing, petroleum and mining, services, media, and tourism.

The objectives of the GC 100 are to:

- Develop an open information culture within the Ghanaian corporate sector
- Provide incentives for improved corporate performance
- Develop uniform criteria for evaluating corporate performance
- Establish an annual and current analysis of Ghana's corporate sector.

The Eligibility Criteria for the GC 100 listing include:

- All entrants must be limited liability companies.
- All entrants must have cumulative net profits that are positive for the most recent three year period. Example, for the 2008 rankings, this will be 2006, 2007, 2008.
- For Companies with Government interest, Government share ownership should be less than 50%, unless the company is listed on the Ghana Stock Exchange.

Ranking Parameters

The eligible companies for GC 100 are ranked on the following parameters:

- Size: This is measured using the company's turnover for the ranking year. Turnover for the banks is measured by their gross interest income plus commissions and fees, while turnover for insurance companies is measured by net premium earned plus investment income.
- Profitability: A universally accepted measure of profitability is the Return on Equity (ROE). This indicates the return that management has created for the shareholders of the company. This is measured by calculating the 3–year average ROE for the companies.
- Growth: This gives recognition to companies that are growing at impressive rates. Such companies are usually growing because of excellence in effective management, product development, and marketing. This is measured using the 3-year compounded annual growth rate of turnover over the recent three year period.

All ties in ranking are eliminated using growth as a tie breaker (GC 100 Magazine, 2009).

Sample size

Data was sought from companies listed in the Ghana Club 100. In all, 116 organisations were sampled, with respondents' status being at least at supervisor level.

Sample Characteristics

Respondent profile

The respondent profile presented in Table 1 below shows that the mean age of the organizations surveyed was 31, which in organisational science terms, is old. The mean staff strength is 37.32, which falls within the definition of a medium sized organisation. The mean age of respondents was 38.5, relatively young in career terms; whilst the mean number of years worked in the organization was 7 and the mean number of phone conversations held in a week was 20.

TABLE 1. **Respondent/Organisational Profile**

Variable	Mean	Standard Deviation
Age of Organization	31.0	2.6
Staff strength	37.3	4.7
Age of respondents	38.5	3.7
Number of children	2.0	1.3
Number of years in organisation	7.0	0.6
Number of organizations worked for	2.0	1.5
Work mates in touch with	9.0	2.1
Number of years in current position	5.0	0.4
Phone Conversations	20.0	3.5

Source: Survey data, 2010

Demographic characteristics

Table 2 below shows that males accounted for almost 77% of the survey respondents; 65.5% of whom were married; and 65% of whom lived with a spouse. Over 65% of respondents also held a university degree – a first degree or a postgraduate degree.

TABLE 2. **Demographic Characteristics**

	Frequency	*Percent*		*Frequency*	*Percent*
Gender:			**Marital Status:**		
Male	89	76.7	Married	76	65.5
Female	27	23.3	Separated	3	2.6
			Widow	1	9
Live With Spouse:			Divorce	1	9
Yes	75	64.7	Single	35	30.2
No	9	7.8			
No Response	32	27.6			
Educational Level:			**School Age of Children:**		
PhD.	--	--	0	1	9
Masters	50	43.1	1	23	19.8
Postgraduate Diploma	3	2.6	2	19	16.4
1st Degree	49	2.2	3	20	17.2
A Level	5	4.3	4	24	20.7
O Level	2	1.7	5	7	6
No Response	7	6	No Response	22	19

Source: Survey data: 2010

Organisational dynamics

The private sector made up over 55% of survey respondents as shown below in Table 3. The non-banking financial services sector accounted for almost 15% of respondents, followed by the manufacturing and transport/general services sectors.

TABLE 3. **Organizational Dynamics**

Type of organization	Frequency	Percent
Private	64	55.2
Public	17	14.7
Multinational	21	18.1
Non-governmental	14	12.1
Total	116	100.0
Company sector of business	Frequency	Percent
Financial Banking	11	9.5
Financial Services (Non-banking)	17	14.7
Manufacturing	14	12.1
Insurance	13	11.2
Construction	13	11.2
Health/Pharmaceuticals	12	10.3
Transport/Gen. Services	14	12.1
Telecom/ IT	11	9.5
Social Marketing	11	9.5
Total	116	100.0

Source: Survey data: 2010

Data Collection

Data were collected on a range of demographic and economic characteristics of the organizations such as labour, firm performance and annual value, and about firm impact. In-depth closed and open-ended interview schedules were employed with the sample employees being quizzed about relations with other individuals and organizations and how these contacts or the trust arising from them has been of benefit to the organizations for which they work. Detailed social and demographic information about the respondents including education, work experience, participation in different types of groups, size and diversity of networks of contacts, were also solicited. The structure of the questionnaire is outlined below.

Structure of the questionnaire

The questionnaire employed for the study was divided into two main sections, A and B.

Section A: Organisational, Social and Demographic Characteristics of Respondents.

This section sought information on organizational details such as type (public, private, non-governmental or multinational), sector of organization, staff strength and age of the organization.

Personal details on the respondents including their educational background and position in their organizations were also sought.

Section B: This section was split into eight sections which sought to obtain data on the following:

I. Personal Contacts. This measured the respondents' density of contacts and personal relations.

II. Affiliation to Groups and Diversity of Personal Contacts. This measured the diversity of respondents' personal contacts.

III, IV, V, & VI. Institutional Ties. These sections measured respondent's contacts in various institutions such as the police force and within government. It also sought information on the manner in which these personal contacts were utilized for the benefit of the respondent's organization.

VII & VIII. Firm Performance. These sections sought the perception of the respondents and the chief executive officers on the overall well-being of the organizations as a measure of organizational performance. Items ranged from their level of satisfaction with the organization's income, quality of new products, relations between management and employees, client or customer satisfaction, to ability to get work done and achieve organisational goals, and successful work performance.

Items on the questionnaire were rated on a Likert scale of 1 to 5, with 5 being the most favourable or highest point and 1 being the least favourable or lowest point in each case.

Analysis of data

The Statistical Package for Social Sciences Software (SPSS) was used to analyse the data. The analysis was conducted in two steps: first qualitative analysis was employed to determine the functions that Social Capital performs within the individual organizations (*objective* 1). The goals of this analysis were to document the use of Social Capital by the organizations; to clarify what it means to use social relations for economic purposes. Quantitative methods were also employed to estimate the contribution of Social Capital to firm performance (*objective* 2; *hypotheses* 1 and 2) using One-way ANOVA and Simple Multiple Regression analysis. Finally, the standard multiple regression was used to test for *objective* 3.

Using multiple methods is important because a limitation of much of the quantitative Social Capital literature is that, while it identifies interesting and statistically significant relationships between variables, the causality and the policy implications are often not clear (Wong, 2001). By integrating qualitative analysis of the functions of Social Capital with quantitative analysis of how Social Capital affects firms' structure and performance, we can better interpret results and arrive at conclusions with clear implications.

4. Discussion of empirical findings

This section of the paper discusses the findings of the study.

Functions of social capital

In our study, Objective 1 sought to assess the functions of social capital within Ghanaian organizations in terms of how they use social relations as an input in their operations. Table 4 below presents the functions that respondents say social capital plays in their organizations. These responses were ranked, and '*help clients understand my company*' was ranked first; followed by '*facilitate access to financial, technical and management support*' in the second place, '*help maintain clients*' in the third, '*facilitate access to inputs'* in the fourth, with '*obtain information about markets, prices and products*' in the fifth position, and '*resolve disputes in the work place*' coming in the sixth, all with a score of at least 50%. These results and the ranking of functions clearly show that in Ghana as elsewhere, social capital is critical in knowledge sharing (Florida, 1995); enhances information flow (Lin, 1999); facilitates production (Coleman, 1994); helps to get work done and achieve organisational goals (Cohen & Prusak, 2001), Adler & Kwon, 2002; Yechun, Hongming, Zhiliang & Chunke, 2007); as well as engender better controls and reduce negative behaviours in organizations (Onyx & Bullen, 2000).

TABLE 4. **Functions of Social Capital**

	Yes		No		Not Sure	
	Fre-quency	%	Fre-quency	%	Fre-quency	%
Identify and make contact with clients	61	52.6	27	23.3	28	24.1
Help maintain clients	82	70.7	15	12.9	13	16.4
Help clients understand my company	89	76.7	14	12.1	13	11.2
Obtain information about markets, prices and products	75	64.7	33	28.4	8	6.9
Facilitate access to financial, technical and management support	87	75	21	18.1	8	6.9
Facilitate access to inputs	79	68.1	31	26.7	6	5.2
Resolve disputes from the work place	69	59.5	30	25.9	17	14.7
Accessing market information	52	44.8	43	37.1	21	18.1

Functions	**Ranking**
Help clients understand my company	1st
Facilitate access to financial, technical and management support	2nd
Obtain information about markets, prices and products	3rd
Help maintain clients	4th
Facilitate access to inputs	5th
Resolve disputes from the work place	6th
Identify and make contact with clients	7th
Accessing market information	8th

Source: Survey data: 2010

Social capital and organisational performance

The study also aimed at assessing the effects of social capital on organizational performance among the Ghana Club 100 organizations, where organisational performance was scored on factors like ability to get work done and achieve organisational goals, and successful work perfromance. In this regard, the One Way ANOVA was used to test hypotheses 1 and 2: social capital has a significant effect on organizational performance, and organizations with high social capital will report higher firm productivity than organizations with low social capital. The results are presented in Table 5 below.

Table 5: **Means and standard deviation of social capital scores**

	N	Mean	Std. Deviation
High Social Capital	39	45.4359	7.29021
Medium Social Capital	37	48.7297	8.89335
Low Social Capital	37	51.1351	7.09915

One Way ANOVA Test results of organizations' social capital scores					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	623.426	2	311.713	5.132	.007
Within Groups	6681.211	110	60.738		
Total	7304.637	112			

Source: Survey data: 2010

It can be surmised from Table 5 above that social capital has a significant effect on organizational performance, $F(112) = 5.132$, $p< 01$, which supports hypotheses 1 and 2; that organizations with high social capital will perform better than organizations with low social capital. These findings also help to achieve the study objective 2; that of assessing the contribution of social capital to firm performance as well as being in sync with Cohen and Prusak's (2001) assertion that high social capital yields high returns of organisational performance, as measured by the ability of individuals to get work done and achieve organisational goals as well as successful work performance (Nahapiet & Ghoshal, 1998).

Determinant variables of social capital and their predictive power on organizational performance

The study also aimed at investigating the determinants of social capital and how they influence organizational performance as set out in study Objective 3 and Hypothesis 3. In this vein, the following were tested:

- Reciprocity has a significant positive relationship with organizational performance.
- Trust has a significant positive relationship with organizational performance.
- Institutional ties has a significant positive relationship with organization performance.
- Diversity of contacts has a significant positive relationship with organizational performance.
- Density of personal contacts has a significant positive relationship with organizational performance.
- Social ties has a significant positive relationship with organizational performance.

The standard multiple regression results in Table 6 below indicate that the entire model is significant, [$F(11) = 17.312$, $p< .01$]. The model explained 24.6% of the variance, whereas the variables accounted for 81.6%.

TABLE 6. **Social capital determinant variables' predictive power on organisational performance**

Variables	R-Square	Changed R-R-Square	Standardized Beta(ß)	*F*
	.246	.816		17.312**
Reciprocity			.681**	
Trust			.401*	
Institutional Ties			.642**	
Diversity of Contacts			.116	
Density of Personal Contacts			.175	
Social Ties			.109	

Source: Survey data: 2010 **Significant at .01; * Significant at .05

From the results presented in Table 6, reciprocity, trust and institutional ties are shown to have a significant positive relationship with organizational performance with beta values of [$\beta = .681$, $p < .01$], [$\beta = .402$, $p < .05$] and [$\beta = .641$, $p < .01$], respectively. Hence, these three variables above are significant predictors of organizational performance: if there is trust, reciprocity and institutional ties, organisational members are better able to get work done, achieve organisational goals and successful work performance. On the other hand, although they suggest it, diversity of personal contacts, density of personal contacts and social ties are not significant predictors of organizational performance. Consequently, our Hypothesis 3 is fully supported in only 50% of the social capital determinant variables tested.

Patterns of Social Capital use across the sectors of the organization

The study in addition sought to address the impact of social capital across various organisational sectors, as set out in study objective 3. Consequently, the variables of social capital were assessed in each respondent business sector, with the standard multiple regression being used to test for the following:

- Reciprocity has a significant positive relationship with organizational performance.
- Trust has a significant positive relationship with organizational performance.
- Institutional ties have a significant positive relationship with organizational performance.
- Diversity of contacts has a significant positive relationship with organizational performance.
- Density of personal contacts has a significant positive relationship with organizational performance.
- Social ties have a significant positive relationship with organizational performance.

TABLE 7. **Patterns of social capital use across various organisational sectors**

		Financial (Non-Bank)	Financial (Banks)	Manufactur-ing	Insurance	Construction	Health/ Phar-maceutical	Transport/ Gen. Services	Social Mar-keting	Telecom/ IT
Reciprocity	β		0.68				-.734			
	ρ		<.01				<.01			
Trust	β	.429		0.419	.429	.506				.413
	ρ	<.05		<.05	<.01	<.05				<.05
Institutional Ties	β		0.442		.245			.316		.456
	ρ		<.05		<.05			<.05		<.01
Diversity of Contacts	β	.488		0.418				.630		
	ρ	<.01		<.05				<.05		
Density of Personal Contacts	β				.491	.774	.471		.706	.380
	ρ				<.01	<.01	<.05		<.01	<.05
Social Ties	β	-.404		-.407	-.465	-.659	-.285		-.287	.340

Source: Survey data: 2009

From Table 7 above, reciprocity and institutional ties are shown to have a significant positive relationship with organizational performance in the banking financial sector with beta values of [$\beta = .68, p < .01$] and [$\beta = .442, p < .05$]. The rest were not significant predictors of organizational performance.

Likewise, trust and diversity of contacts are shown to have a significant positive relationship with organizational performance in the financial non-banking sector, with beta values of [$\beta = .429, p < .05$] and [$\beta = .488, p < .01$], respectively. Whilst social ties has a significant negative relationship with organizational performance [$\beta = -.404, p < .05$], the other variables do not have any significant relationship with organizational performance.

In the manufacturing sector, trust and diversity of contacts are shown in Table 7 above to have a significant positive relationship with organizational performance with beta values of [$\beta = .419, p < .05$] and [$\beta = .418, p < .05$]. Social ties factor, on the other hand, has a significant negative relationship with organizational performance [$\beta = - .407, p < .05$], just as in the financial banking sector.

In the insurance sector, trust and diversity of contacts are also shown to have a significant positive relationship with organizational performance with beta values of [$\beta = .429, p < .01$] and [$\beta = .491, p < .01$], respectively. Institutional ties and social ties have a significant negative relationship with organizational performance with beta values of [$\beta = .245, p < .05$] and [$\beta = - .465, p < .05$], respectively, whilst the other values do not have any significant relationship with organizational performance.

However, Table 7 above shows that in the construction sector, trust and density of personal contacts have a significant positive relationship with organizational performance with beta values of [$\beta = .506, p < .05$] and [$\beta = .774, p < .01$], respectively. Social ties have a significant negative relationship with organizational performance [$\beta = -.659, p < .01$], whilst the rest are not significant predictors of organizational performance.

Furthermore, in the health/pharmaceutical sector, density of personal contacts is shown to be a significant predictor of organizational performance, [$\beta = .471, p < .05$]. On the other hand, reciprocity and social ties have a significant negative relationship with organizational performance with beta values of [$\beta = -.734, p < .01$] and [$\beta = -.285, p < .05$], respectively, whilst the other variables do not have any significant relationship with organizational performance.

In the transport/general services sector, institutional ties and diversity of contacts are shown to have a significant positive relationship with organizational performance with beta values of [$\beta = .316, p< .05$] and [$\beta = .630, p < .05$], respectively. Trust, on the other hand, has a significant negative relationship with organizational performance, whilst the rest do not have any significant relationship with organizational performance.

Additionally, in the telecom/IT industry trust, institutional ties, density of personal contacts, and social ties are all shown to have a significant positive relationship with organizational performance. The beta values are [$\beta = .413, p < .05$], [$\beta = .456, p < .01$], [$\beta = .380, p < .05$] and [$\beta = .340, p < .05$], respectively.

Finally, Table 7 shows that in the social marketing sector, density of personal contacts has a significant positive relationship with organizational performance [$\beta = .706, p < .01$], whereas, social ties have a significant negative relationship with organizational performance [$\beta = -.287, p < .05$].

5. Conclusions

The idea of social capital postulates that people are connected to others based on trust in some others. Social capital itself has often been exploited by individuals and organizations for their benefit. In this study, we have found support for our hypothesis that social capital plays a key function within organizations in Ghana, facilitating production, enhancing information flow, and generally helping to achieve organisational goals. In addition, we found that social capital has a significant relationship with organisational performance such that firms that enjoy high social capital report higher firm productivity in that organisational members are better able to get work done and achieve organisational goals as well as successful work performance. The literature seems to suggest that trust and institutional contacts (connections) are properties of social capital, underlying the networks of relationships that grant access to resources within and without the organization (Nahapiet & Ghoshal, 1998). In drilling down to the constituent elements of social capital, we also found that trust, reciprocity and institutional ties tend to display the most significant positive relationship with organisational performance.

Furthermore, our analysis of patterns of social capital use amongst the various organisational sectors suggests that trust and institutional contacts are shown to have a significant positive relationship with organisational performance in five (5) out of eight (8) business sectors. This easily marks trust and institutional contacts as the most important social capital properties for Ghanaian companies. It is worthy of note, however, that roughly a third of the respondent organizations are in the financial services industry. The companies in these sectors traditionally rely on trust internally and externally to facilitate their work as is the norm in finance. This may, perhaps, account for the reliance on trust as an important property of social capital.

The results in Table 7 above must, however, be interpreted within the context of the various individual organisational sectors having a fewer number of respondents (10-15) than that for the total survey (116). This consideration may have modified somewhat the reliability of the results of the multiple regressions. This notwithstanding, the results may serve as a useful indication of what pertains in the Ghanaian environment.

With the foregoing in mind, are these findings enough to draw a conclusion on the nature, form and typology of social capital in Ghana? We postulate that our findings suggest that in Ghana social capital has been shown to be a useful tool in organisational life, capable of propelling the firm to better performance. To that end, the study recommends that firms take a proactive approach towards promoting, building and maintaining viable social networks within their structures in order to derive maximum benefit from it. Future research might examine the extent of influence exerted by the determinants of social capital on organisational performance as well as the functions of social capital in the Ghanaian public sector.

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