

INTERNAL SOCIAL CAPITAL OF ENTERPRISES IN POLAND

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Purpose: The purpose of the work is diagnosis and assessment the state of the internal social capital of enterprises in Poland and the differences between companies with different characteristics. The aim of the study is also to indicate the relationship between an organisation's social capital level and its activities' effects.

Design/methodology/approach: The paper presents the results of own study conducted on a sample of 650 micro, small, medium and large companies in Poland. The model presented by Westlund and Nilsson (2005) was used in the analysis, various dimensions of this capital (structural, relational and cognitive) were also explored. Descriptive statistics, non-parametric testing methods (Chi2 independence test) and classification methods using the CHAID method were used.

Findings: Results suggest that about $\frac{3}{4}$ of companies showed the presence of positive phenomena in the social capital field. However, there are statistically significant differences between companies of different sizes, age, status (headquarters, branch, independent organisation), and the origin of capital (domestic, foreign, mixed). The research also shows that companies perceive the relationship of internal social capital with the company's development and relations with their partners.

Keywords: organisational social capital, enterprise social capital, corporate social capital, trust.

Category of the paper: Research paper.

1. Introduction

Social capital is a term that has been used for over 100 years, but there is still no consensus on a standard definition. It refers to the network of relationships, shared norms and values, and trust. Social capital is a collective resource of collaboration, trust, and a sense of mission among organisation members. According to R. Putnam (1993), social capital "refers to (...) such societal traits as trust, norms and relational bonds, which can increase the effectiveness of a society and promote coordinated action". Fukuyama (1997) defines social capital as the ability to cooperate through informal rules and norms between people within the group and

organisation to pursue the interests of members ", J. Coleman (1988) – as" the traits characteristic of social life – networks, norms and trust – which promote cooperation and the coordination of individuals' efforts towards a common good". N. Lin (2001) interprets social capital as networks and the resources associated with them: "the resources contained in social relations", and Grootaert (1998) by this capital means the norms and social relations embedded in the social structure which enable individuals to cooperate to achieve defined aims.

The concept of social capital is an exciting platform for interdisciplinary discussion. Economics means a return to the consideration of values, norms and ethics to understand human nature, coordination and cooperation.

Initially, social capital was analysed mainly in sociological, economic and political sciences, but with time the importance of this capital was also noticed in the sciences of business administration. This concept began to be applied to organisations, including enterprises. Previously, the network analysis approach was successfully used in organisations, emphasising the importance of organisation relational capital. Still, the concept of social capital extends these approaches to include elements of values, norms and trust.

Among the many studies on social capital, several approaches can be distinguished. In 2001, an OECD report classified four approaches (Healy & Côté, 2001):

1. The anthropological approach states that the roots of social capital are in human nature as humans have instincts for association.
2. In the sociological approach, authors analyse social norms and the sources of human motivation, emphasising features of social organisation such as trust, norms of reciprocity and networking of civic engagement.
3. The political science literature emphasises the role of institutions, political and social norms in shaping human behaviour.
4. The economic literature draws on the assumption that people will maximise their utility, deciding to interact with others and draw on social capital resources to conduct various group activities. The focus of this approach is on the investment strategies of individuals faced with alternatives for the use of time.

Berzina (2011) notes that a fifth approach can also be distinguished:

5. The entrepreneurial approach refers to investment in social relations with expected market returns. It analyses a set of informal values or norms shared among group members that permit them to cooperate.

A different approach is advisable because, as Westlund and Nilsen (2005) emphasised, there are important differences between civil society and business life. Enterprise-related social capital is social and economic networks in which enterprises intentionally and unintentionally invest and interact. The primary mission of an enterprise is, in general, to earn money and to operate at a profit. Therefore, it cannot be assumed that enterprises build social networks with a non-profit-making purpose. Accordingly, an enterprise's social capital can be an intentional investment and a byproduct. From a social relationship with a profit-making aim, value-added

can be created, which is not planned or intentional but is an essential aspect of what is defined as social capital at an enterprise-specific level (Westlund & Nilsson, 2005).

The enterprise's social capital is a particular case of organisational social capital (OSC). Leana and Van Buren (1999) defined organisational social capital "as a resource reflecting the character of social relations within an organisation. OSC can be considered an asset that can create positive effects for the organisation itself and for the people that are part of the organisation. Inkpen and Tsang (2005) organisational social capital defined as the aggregate of resources embedded within, available through, and derived from the network of relationships possessed by an individual or organisation. Organisational social capital refers to resources produced by the nature of the social relations and relationships within the organisation. Organisational social capital is usually considered to develop due to ethical and motivational factors within an organisation ("Organisational Social Capital").

According to Nahapiet and Ghoshal (1998), three key components constitute organisational social capital: structural social capital which refers to the connections among actors; relational social capital, which refers to trust among actors; and cognitive social capital which refers to the level of shared goals and values among actors.

Westlund & Nilsson (2005) define enterprise-related social capital as social and economic networks in which enterprises intentionally and unintentionally invest and interact. There are three different parts involved in the enterprise related social capital – first of all enterprises themselves and their organisations, and secondly as external influence – political governed sector and civil society and its organisation, that interacting with each other can create and maintain social capital (Johnson et al., 2008 as given in: Berzina, 2011).

Therefore, the advantages of social capital for an enterprise can be considered from various perspectives. On the one hand, functioning in an environment rich in social capital brings potential benefits. Similarly to geographic rent, it promotes the socio-economic development of a region and is a bonus resulting from its geographical location in a specified geopolitical system (Kopczewska, 2008). The rent from social capital is also a bonus for functioning in a particular social, cultural and institutional environment (Markowska-Przybyła & Ramsey, 2018). On the other hand, the social capital of an enterprise also generates benefits for itself and its environment.

Social capital makes negotiating easier, lowers transaction costs, promotes long-term investment and the diffusion of knowledge, and prevents the overuse of commonly held goods (Diagnoza Społeczna, 2009). A high level of trust leads to a favourable climate for developing partnerships. Extensive contacts can reduce the costs of searching for work or credit and improve the flow of information regarding innovations, unreliable clients and confidence tricksters while reducing the range in which moral hazard exists. A high level of trust creates a favourable environment for entrepreneurship (Kodila-Tedika & Agbor Agbor, 2012).

Despite the undoubted role of social capital of enterprises, research on the state of social capital of enterprises in Poland is rare. Efforts have been made to fill this research gap – the studies conducted concern family businesses (Marjański et al., 2019), the energy sector (Jędrych et al., 2022), the packaging sector (Rola..., 2011) of large companies (Bylok et al., 2019). Efforts have also been made to measure the social capital of enterprises (Bylok et al., 2018) but a broader diagnosis of the state of this capital is still lacking. The following work is the first in a series to deal with this problem.

2. Data and methods

In the diagnosis of social capital resources of enterprises in Poland, the results of surveys conducted among 650 enterprises in Poland were used - companies of various sizes, origin of capital (domestic, foreign, mixed), status (headquarters, branch, independent company), location (large cities, medium-sized, small, villages) and various industries. One hundred forty large companies, 140 medium-sized companies, 170 small companies and 200 micro-companies were surveyed. The research was carried out in November 2021. The model presented by Westlund and Nilsson (2005) was used in the analysis, and internal social capital were analysed. Various dimensions of this capital (structural, relational and cognitive) were also explored (Nahapiet & Ghoshal, 1998).

This work aims to present a diagnosis of the state of internal social capital and preliminary findings on the relationship of this capital with the effects of the activity. For this purpose, descriptive statistics, non-parametric testing methods (Chi2 independence test) and classification methods using the CHAID method were used.

3. Results and discussion

The internal social capital is created by internal stakeholders and takes the enterprise's resources into account (and the resources of stakeholders - the employees and the management) (Wyrwa, 2014). It covers links and relations filled with attitudes, norms, traditions etc., expressed in the form of company spirit, climate for cooperation, methods for codifying knowledge, product development or conflict resolution (Westlund & Nilsson, 2005). In analysing the internal state of social capital, a diagnosis of relations between company members, i.e. the relational and cognitive dimension, was used first. The issues of trust, cooperation, commitment, communication, attitudes towards mistakes, particularisms, intra-

group solidarity and support were diagnosed. The respondents indicated which of the two options is closer to the description of their company according to the following list (a-g):

- a. we act rather separately, individually (-) – there is a climate of cooperation (+) (cooperation),
- b. there are individual goals that hinder the company's success (-) – most employees are involved in achieving the company's goals (+) (common goals),
- c. there is rather a climate of distrust, suspicion (-) – there is a general climate of trust (+) (trust),
- d. communication and information exchange is difficult (-) – communication and information exchange is easy (communication),
- e. making a mistake is associated with fear (-) – making a mistake is a science for everyone and is not associated with negative consequences on the part of management (+) (attitude towards mistakes),
- f. you have to deal with yourself (-) - you can count on support, advice from others (+) (advice),
- g. there are pathological situations, abuses, discrimination, and dishonesty (-) – in the organisation, we often meet with solidarity and sacrifice among employees (+) (solidarity).

Figure 1 shows the proportion of responses to each option. The respondents more often indicate a positive situation in the enterprise than the situation proving the lack of social capital. Positive indications range between 66% and 75.8%. However, the fact that more than a quarter of indications are "negative" may be disturbing. The question about the response to mistakes stands out – 44% of enterprises – indicate that it is associated with fear and consequences. This may signal an inappropriate approach of the management board to employees, which in turn may weaken the creativity and innovation of teams.

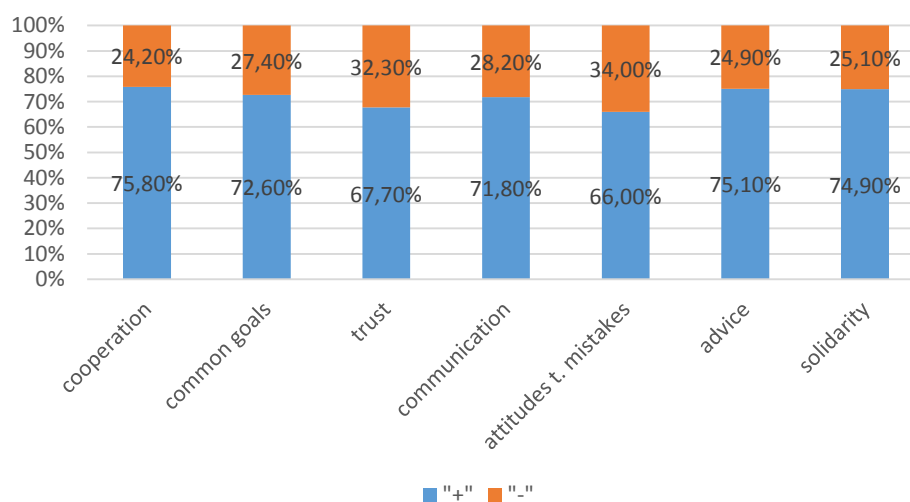


Figure 1. Internal social capital in enterprises in Poland (relational and cognitive dimension). Source: own research.

The study population shows differences between the groups of enterprises distinguished based on two criteria: company size and status (headquarters – branch – independent company). The differences in the enterprises' social capital of various sizes are presented in **Figure 2**, and different statuses in **Figure 3**. Statistically significant differences ($p < 0.05$, independence Chi2 test) occur in terms of commitment to achieving common goals (option b), trust (c) and communication (d) for companies of various sizes and for companies of different statuses in terms of cooperation (a), commitment to achieving common goals (b), trust (c), communication (d) and solidarity (g). In large and medium-sized companies, employee involvement is more significant than in micro and small companies, where achieving specific goals is more often indicated. In larger companies, cooperation is more often indicated, and in micro-companies – acting separately, which may result directly from the specificity of micro-companies, often employing only a few employees. Similarly – the specificity of micro-companies may determine the ease of communication, more significant than in larger companies. Trust in an organisation decreases with its size.

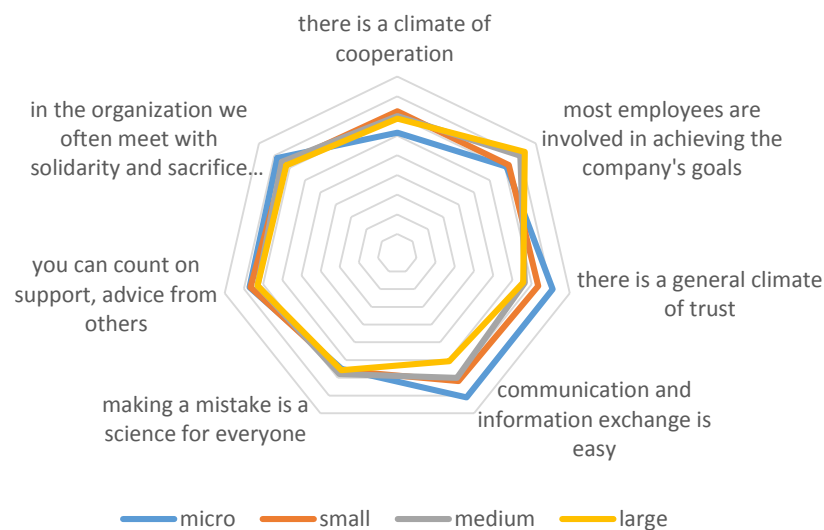


Figure 2. Internal social capital in enterprises of all sizes (percentage of responses). Source: own research.

The internal social capital of the headquarters is the lowest compared to branches or subsidiaries of companies and independent enterprises. The highest trust occurs in independent enterprises and the atmosphere of cooperation and commitment – in branches and branches (**Figure 3**).



Figure 3. Internal social capital in enterprises of different statuses (percentage of responses). Source: own research using the SPSS program.

The climate of trust is different (statistically significant) for enterprises of different ages and origins of the capital.

Younger companies more often declare that they have a general climate of trust – 86% and 64.8% of companies established before the system and political transformation in Poland; Figure 4. Companies with foreign capital and companies with mixed capital with a predominance of foreign declare a climate of distrust more often than domestic companies or companies with a predominance of domestic¹ (Figure 5). This is a surprising observation, as many studies indicate the low social capital of Poland (Młokosiewicz, 2009; Pichler & Wallace, 2007). The European Social Survey (ESS) shows that in terms of general trust, Poland is one of the last countries covered by the survey. In the previous edition of the ESS survey (2016), 15.7% of Poles declared they trust other people², while in Norway and Finland, about 40% of respondents. Also, compared to other countries of Central and Eastern Europe, Poles declare relatively low trust – only in Bulgaria, it is lower³.

¹ older companies, however, are often foreign companies.

² 7-10 responses on a 10-point confidence scale.

³ <http://www.europeansocialsurvey.org>.

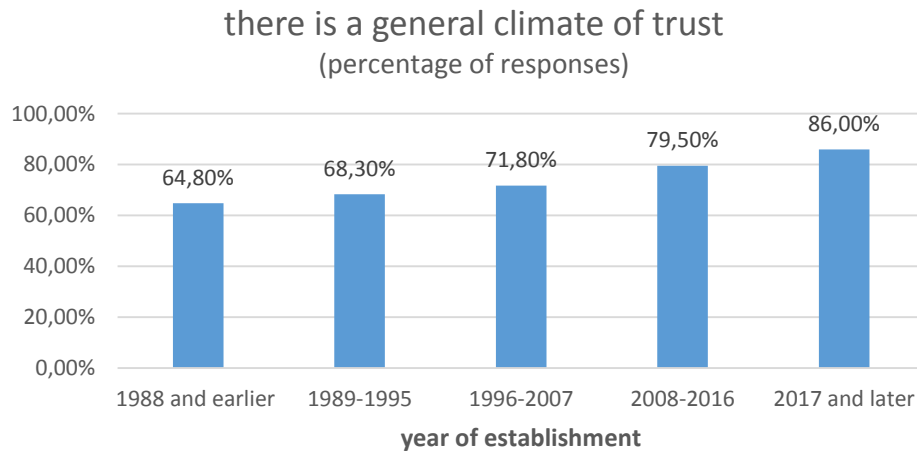


Figure 4. The climate of trust in enterprises of different ages. Source: own research using the SPSS program.

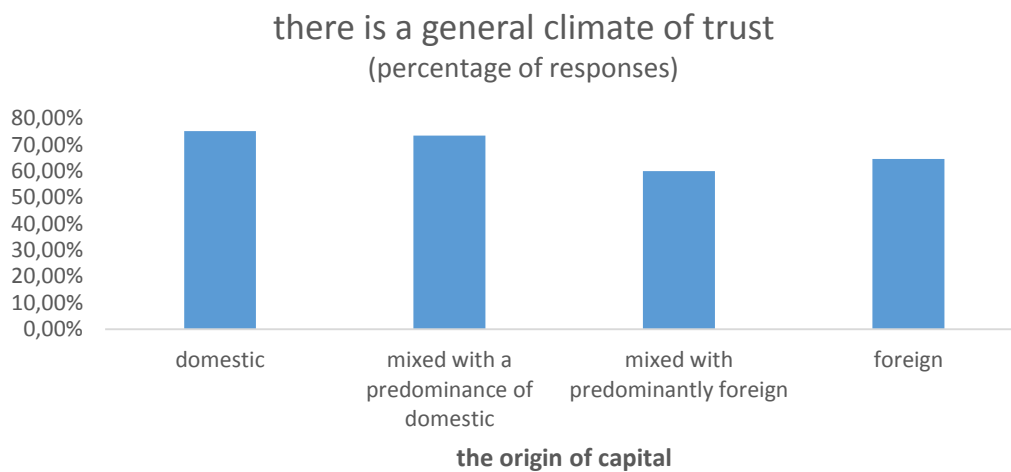


Figure 5. The climate of trust in enterprises according to the origin of capital. Source: own research.

The aim of the study was to diagnose and assess the state of internal social capital in Poland's enterprises and its relations with the perceived effects: company development and relations with stakeholders. For this purpose, the respondents were asked whether they think the general atmosphere at work, trust, willingness to cooperate, and commitment impact the organisation's development and relations with economic partners (customers, suppliers, cooperators). Correlation analysis shows positive, statistically significant correlations with each examined dimension of weak to moderate intensity)

Table 1.
Internal social capital vs effects

		A	B	C	D	E	F	G
		coopera- tion	common goals	trust	commu- nication	attitude towards mistakes	advice	solidarity
Do the general atmosphere at work, the atmosphere of trust, willingness to cooperate, and commitment impact the organisation's development?	Cramer's V	0,234**	0,253**	0,344**	0,349**	0,239**	0,383**	0,296**
	Spearman Correlation	0,233**	0,238**	0,331**	0,317**	0,226**	0,377**	0,257**
How do you think your company's general climate translates into relationships with partners (customers, suppliers, cooperators)?	Cramer's V	0,230**	0,230**	0,307**	0,254**	0,209**	0,275**	0,279**
	Spearman Correlation	0,142**	0,096*	0,205**	0,187**	0,155**	0,188**	0,155**

* p < 0,05, ** p < 0,01.

Source: own research using the SPSS program.

The analysis carried out with the use of the classification tree using the CHAID method shows that what mainly (statistically significantly) distinguishes companies in this respect is support at work. In enterprises declaring no support, the negative impact of the organisation's climate on the company's development was more often declared (Node 1 and 2, **Figure 6**), especially where communication was difficult (42 out of 82 companies – Node 5). 330 out of 502 (i.e. 66%), that indicated that the general atmosphere of the organisation has a positive effect on the organisation's results are companies where you can count on support, where there is solidarity and communication is easy.

Other factors influence relations with the environment: Trust primarily differentiates companies (**Figure 7**, Node 1 and 2). Another important factor differentiating the company in this respect is the involvement of employees in achieving the company's goals and cooperation: the occurrence of individual goals instead of involvement in highly trusted organisations is associated with more frequent pointing to negative effects for the company's external relations (Node 3 and 4), as is the lack of cooperation in low-trust organisations (Node 5 and 6). The factor "cooperation" significantly differentiates companies with high trust and commitment (Nodes 7 and 8).

These three factors: the climate of trust, commitment to achieving the company's goals and the environment of cooperation are the most critical factors that differentiate companies in terms of the declared impact of the company's internal climate on its relations with the environment. 409 companies out of 650 stated that the effect was positive, of which 225 (55%) indicated their climate of trust, commitment and cooperation. Eighty-eight companies indicated that the climate in the company negatively affects relations with partners. 37% of them (33 companies) both indicate a climate of distrust in acting alone (instead of cooperation).

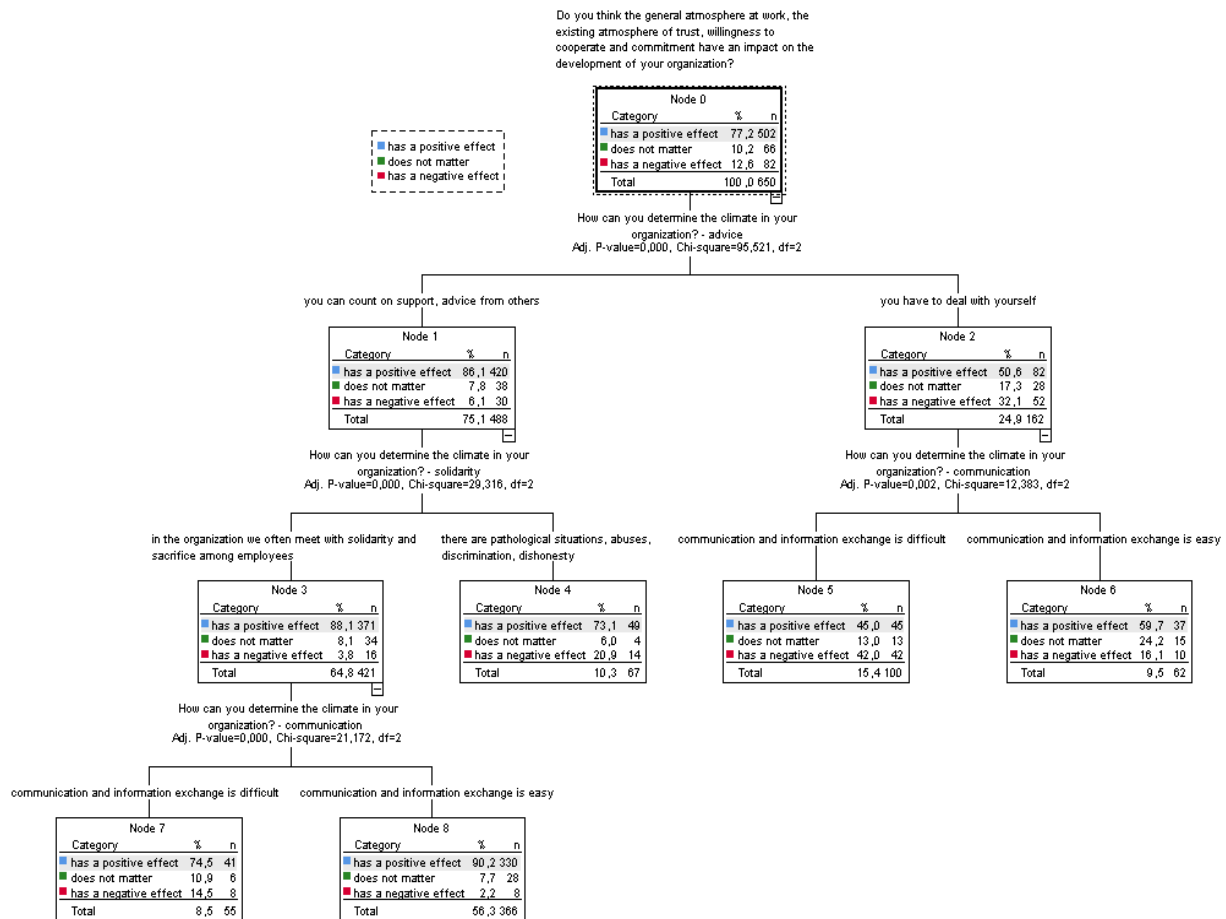


Figure 6. CHAID tree – internal social capital and its impact on the company's development.
Source: own research using the SPSS program.



Figure 7. CHAID tree – internal social capital and its impact on partner relationships. Source: own research using the SPSS program.

Conclusion

The presented research results are one of the few studies attempting to diagnose the social capital of enterprises in Poland. The work aimed to assess the state of the internal social capital of enterprises and indicate differences between companies with different characteristics. The aim of the study was also to demonstrate the relationship between an organisation's social capital level and the effects of its activities. This study presents the state of internal social capital in the relational and cognitive dimensions.

Regarding assessing the state of internal social capital of enterprises and differences between companies with different characteristics can be stated that about $\frac{3}{4}$ of companies indicated the presence of positive phenomena in the social capital field. However, there are statistically significant differences between companies with different characteristics:

- in large and medium-sized companies, the involvement of employees in the implementation of shared goals (companies) is more important than in micro and small companies. In larger companies, a climate of cooperation is more often indicated. In smaller companies, however, there is greater trust and ease of communication;
- internal social capital of corporate headquarters is the lowest in comparison to branches or subsidiaries of companies and independent enterprises;
- trust in an organisation declines with age;
- the climate of trust within the organisation accompanies domestic rather than foreign capital.

When it comes to the relationship between the level of companies' social capital and the effects of their activities, the results indicate that:

- companies perceive the relationship of internal social capital (in the relational and cognitive dimension) with the company's development. Support, communication and solidarity are significant;
- companies perceive the relationship of internal social capital with relations with their partners. In this case, the climate of trust, commitment to implementing common corporate goals, and cooperation are essential.

Earlier studies (Bylok et al., 2018) indicated the highest level of trust, solidarity, and support for a group of micro-companies compared to enterprises of other sizes, which is consistent with the presented research results. The convergence of the research results also applies to the relationship with the effects, where the correlation with the results of different nature was analysed (e.g. positive financial performance, growth in revenue, growth in value of assets), and it was also positive with weak and moderate intensity.

The limitation of the presented research is the declarative nature of the study. There are often significant discrepancies between declarations and the actual state (Markowska-Przybyła & Ramsey, 2016). Moreover, the research is burdened with the subjectivity of the person filling

in the questionnaire form. Future research could eliminate these limitations by using other methods – e.g. observation, experiment, and confronting more people's responses in one company. The presented study also does not show the structural dimension, one of the elements of social capital.

The research results lead to searching for additional answers to the questions about the causes of the presented relationships. Future research should also concern the analysis of external social capital and the relationships between enterprises' social capital and the environment's social capital (commune, region, state).

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