



Organizational Social Capital in Nonprofit Organizations: A Latin American Case

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Resumo:

This research seeks to understand how a theory consolidated in the north hemisphere, named Organizational Social Capital, can assist nonprofit organizations in resource mobilization in the Latin American context. In order to achieve this goal, we analyze an inter-organizational project composed of different kinds of organizations (profit and nonprofit with public and private purposes). This proposal involved 100 actors, including Inter-American Development Bank (IDB) and some traditional Brazilian organizations such as Gerdau, Petrobras, and NGO Parceiros Voluntarios, among others. In addition to this goal, secondarily, this paper seeks to analyze how this theory can be applied to this context, bringing new insight, contributions, and limitations.

Palavras-chave: *Organizational Social Capital. Nonprofit Organizations*

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ORGANIZATIONAL SOCIAL CAPITAL IN NONPROFIT ORGANIZATIONS: A LATIN AMERICAN CASE

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Introduction and purpose of the paper

Worldwide, nonprofit organizations have been highlighted in recent years for the amount of financial resources they spend in their operations and for the social impact of their actions (Salamon, 2010). The same phenomenon holds true in Latin America. The number of nonprofit organizations has grown in recent years. However, the logic of action of Latin American organizations still differs from organizations in North America and Europe.

From a managerial point of view, Latin American nonprofit organizations have many peculiarities compared to European, American and Canadian organizations. One of the points to be highlighted is the management of its resources. In Latin America, many organizations still have quite rudimentary management. These organizations have little to no type of financial, accounting, or administrative control, thereby causing their actions and processes to be carried out by empiricism.

However, the way to manage nonprofit organizations needs to be revised due to the current logic of mobilizing resources requiring a constant search for donors and supporters for the sustainability of organizational processes. Thus, transparency of processes and outcomes by nonprofit organizations is critical to the actions of coordination and mobilization of resources (Tondolo, 2014).

In this sense, social capital can be seen as an alternative to improving managerial aspects and contributing to the improvement of organizational performance. Social capital theory originally was spread across different fields. Organizational Social Capital (OSC) comes from social capital theory and it focuses on the organizational context.

Nahapiet and Ghoshal (1998) pioneered the approach of using the concept Organizational Social Capital (OSC). The authors are considered precursors with respect to

OSC, since they presented a competitive environment by relating it to the social capital of organizations.

In order to meet the strategic scope, the authors used the premise of the Resource Based View (RBV), relating those premises to the concept of social capital. Nahapiet and Ghoshal (1998) main contribution was a framework proposal, which is widespread in the field of organizational studies.

Andrews (2010) argues that OSC is perceived through each of three dimensions (structural, cognitive, and relational), which have a significant influence on the development of organizational outcomes, through the facilitation of transactions that result in the spread of knowledge and collective action (Andrews, 2010).

However, organizational social capital can “reflect the affective quality of relationships within the firm, the shared concern for common goals, and the degree of cohesiveness among employees” (Pastoriza, Ariño, & Ricart, 2009, p. 478). Furthermore, OSC can be seen as a resource related to social complexity, and more specifically, to the social relations among organizations. In this view, OSC is conducted by members of organizations that have an orientation toward collective goals and shared visions, creating value from collective action (Leana, & Van Buren, 1999). Thus, OSC can benefit both internal and external organizational levels, for instance, creating value for stakeholders and stimulating the development of new skills in employees.

In this sense, organizational social capital consists of resources that organizations develop through their relationships with other organizations (Zahra, 2010), or OSC can be understood as the willingness to make resources available to an actor through its reciprocal relations of trust (Arregle et al., 2007).

OSC can provide different types of resources to organizations, such as information, knowledge, technology, financial capital, positioning networks, and relationships with key stakeholders (Arregle et al., 2007). Even knowing the positive aspects of OSC, the question that comes up and needs further clarification refers to the reason leading an organization to concede or share its resources.

Some authors emphasize that resources can be shared or transferred only from mutual trust relationships. Thus, there are environments where collective goals are considered a priority and organizations are able to cooperate and collaborate with other organizations (Leana, & Van Buren, 1999).

Accordingly, OSC may positively affect the internal and external activities of the organization (Arregle et al., 2007). Taken in this way, many authors present the

characteristics of RBV to explain OSC's advantages (Arregle et al., 2007; Edelman et al., 2004; Leana & Van Buren, 1999; Pennings & Lee, 1998). In this perspective, most studies of OSC have profit organizations as scope.

Although RBV presents strategic precepts in competitive environments, we believe that some of these aspects can be considered when analyzing nonprofit organizations, even though these organizations are immersed in a collaborative environment.

Regarding nonprofit organizations, it is important to make two observations. First, these organizations focus on collaborative and cooperative logic, since their actions, in most cases, seek the welfare of the community. Thus, these organizations seek to achieve collective goals, or even individual goals, which may be common to other organizations. Second, the peculiarity of nonprofit organizations, since these organizations have special characteristics such as non-profit goals, working for the benefit of another and performing activities of public interest. A significant portion of their income comes from donations, and the majority of its workforce is voluntary. In addition, the Third Sector has grown in recent decades and currently holds a considerable share of the economy, generating jobs and income, besides the social benefits brought by their performance (Salamon, 1994, 2010).

Due to the contribution of this sector to society and their participation in the current economy, it is important to understand not only the logic of this sector, but also how OSC could be considered a valuable resource in nonprofit organizations in the Latin American context.

In a competitive environment, the RBV emphasizes that organizations owning valuable, rare, or difficult to imitate resources and having non-substitutable capabilities have an advantage over their competitors (Barney, 1991; Bolino, Turnley, & Bloodgood, 2002). In this sense, an important component of competitive advantage resides in the social capital of organizations (Edelman et al., 2004) since OSC is seen as a "resource reflecting the character of social relations within the firm" (Leana, & Van Buren, 1999, p. 538).

Given this, it is important to highlight that RBV can be used as a lens to understand OSC in the nonprofit organization context, considering that these organizations need resources as much as for-profit organizations. The organizations that compose the Third Sector need resources and capabilities to realize their social function and reach their organizational goals. Thus, the resources and internal capabilities of the organization contribute effectively to the strategies and sustainability of social organizations.

Differences on firms' performances can be explained by differences in abilities to create and exploit social capital (Nahapiet & Ghoshal, 1998). Accordingly, OSC is an

important intangible asset that can take years to develop and can be enhanced, thus making it of more lasting value because of its dependence on the organizational trajectory (Zahra, 2010).

Therefore, OSC benefits both the firm's access to external resource and the performance of internal processes (Arregle et al., 2007; Sirmon, Hitt, & Ireland, 2007). Further, Arregle et al. (2007) suggest the importance of internal heterogeneity of groups in firms and the characteristics of the dominant groups in the development of social capital.

Reflecting upon the perspective of social context, Saxton and Benson (2005, p.19) argue that "social capital constitutes a considerable resource for a community's social, political, and economic development." Regarding this concept, this study focuses on organizational social capital and seeks to understand it in the Latin American Third Sector context, considering that social capital connects internal and external factors of organization, acting as a facilitator in the management of public, private, and nonprofit organizations (Saxton, & Benson, 2005).

Considering the existing theoretical relationship between OSC and RBV, and bringing the inter-organizational project realized in the Latin America Third Sector as a field, it is conjectured that an adaptation of this theory from the north hemisphere, named Organizational Social Capital to this research field, emphasizes the articulation and mobilization of resources as an additional dimension of the current OSC.

Thus, this research aims to contribute to the study of Organizational Social Capital in nonprofit organizations. This study seeks to fill in a gap through theoretical and empirical advance of the subject in the context of inter-organizational projects developed in the Third Sector.

Main Objectives

Regarding the context issues, this research seeks to understand how a theory consolidated in the north hemisphere, named Organizational Social Capital, can assist nonprofit organizations in resource mobilization in the Latin American context. In order to achieve this goal, we analyze an inter-organizational project composed of different kinds of organizations (profit and nonprofit with public and private purposes). This proposal involved 100 actors, including Inter-American Development Bank (IDB) and some traditional Brazilian organizations such as Gerdau, Petrobras, and NGO Parceiros Voluntarios, among others. In addition to this goal, secondarily, this paper seeks to analyze how this theory can be applied to this context, bringing new insight, contributions, and limitations.

Method of analysis

This research is characterized as an exploratory study, composed of two phases: (1) quantitative and (2) qualitative. We employed a multiple method approach. The inter-organizational project was analyzed based on a Latin America scenario, which included 100 actors as follows: two (2) sponsoring organizations/institutions; one (1) developer organization; twenty one (21) organizations/supporting institutions; and seventy six (76) nonprofit organizations. The analyzed project aimed to empower nonprofit organizations on principles of transparency and accountability. The inter-organizational project was considered a unique opportunity since this was the first time a project of this magnitude was being developed in Latin America.

Therefore, the qualitative and quantitative approach was divided into two steps:

(i) First step – Quantitative Approach: developed with nonprofit organizations that participated in the Inter-organizational project. This step aimed to measure the OSC level from these organizations. Data were analyzed using nonparametric tests, such as Kruskal-Wallis and Mann-Whitney U.

(ii) Second step – Qualitative Approach: conducted with the participating organizations of the Inter-organizational project, which played the roles of developer, sponsors, supporters, and six nonprofit organizations, which showed different levels of OSC. This step aimed at understanding how these actors and their relationships/interactions contributed to the development of the project and the development of Organizational Social Capital. This step was analyzed using content analysis, with the assistance of NVivo 10 software.

Main findings and contributions

The main theoretical implication of this study is the inclusion of an additional dimension to measure and understand OSC, named the Mobilizing Dimension. This dimension is suggested with the aim of understanding the development of OSC in the Latin American Third Sector context, which comes from an extensive literature review, comprised not only of the theory of Social Capital, but also the theory of the Resource-Based View. In this study, we used a framework composed of four dimensions: the three dimensions (structural, cognitive, relational) suggested by Nahapiet and Ghoshal (1998) and the Mobilizing Dimension (Tondolo, 2014).

Additionally, we highlighted other findings, such as:

(1) Organizations develop trust with organizations that have similar identities. For example, organizations that are close because they present similar operations are considered extremely reliable. Similar identities encourage organizations to share their experiences, develop close ties and high trust levels, thereby causing higher levels of OSC.

(2) It also appeared that the dimensions of Organizational Social Capital have become interconnected, since components of OSC, originating in/through different dimensions, can be perceived in the relationships between organizations. After the qualitative analysis, we found that the relationships existing to develop the project were based on ties, and these ties generate interactions between actors; and these interactions promote trust and, consequently, resource sharing.

(3) Furthermore, it was possible to understand that the development of OSC is grounded in relationships and in their levels of maturity. Given the results of this research, we realized that the development of OSC in inter-organizational projects developed in the Third Sector permeates through four levels of the maturity of relations: ties, interactions, trust, and resource sharing. These levels are seen as sequential steps, and to reach higher levels of OSC, previous levels must be met.

Keywords: Organizational Social Capital. Nonprofit Organizations

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