

*The Influence of Social Capital and Knowledge Sharing on Organizational  
Innovation: The Chinese Case*

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The Asian Conference on Asian Studies 2016  
Official Conference Proceedings

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## **Introduction**

It has been widely recognized that how to manage knowledge effectively is a critical concern for firms because organizations often view the ability to share and integrate knowledge effectively as a competitive advantage (Grant, 1996; Batjargal, 2003; Huang, Davision, & Gu, 2008). Wang and Noe (2010) expressed that the modern world has become a knowledge society, emphasizing a major challenge facing firms today is how to create, leverage, and retain knowledge for enhancing the chance for firm innovation and survival.

In this research, we provide a theoretical framework based on social capital perspective that may resolve this dilemma. Analysts of social capital are centrally concerned with the significance of relationships as a resource of social action (Burt, 1992; Coleman, 1990). However, as Eastis (1998) has observed, social capital is not a uni-dimensional concept.

Researchers found that social capital encourages cooperative behaviors, thereby facilitates the development of new forms of innovative organization (Lu, Tsang, & Peng, 2008). The major contributions of this study are twofold. First, researchers have generally regarded social capital as a variable to examine cause and affect relationships. However, social capital is a complex multidimensional concept and we seek to demonstrate the way in which different dimensions of social capital are interrelated. We propose that not all facets of social capital are equal with regard to knowledge sharing. In the context of our exploration of the role of social capital in the creation of knowledge sharing, we suggest that it is useful for firms to consider these facets in terms of three contests: guanxi, trust, and norms. Specifically, the concept of interpersonal relationships is discussed within the context of Chinese culture, embedding the guanxi concept into the model to further investigate relationships among these three dimensions.

## **Theory and Hypotheses**

### **Social Capital**

Social capital is defined as the knowledge embedded within, available through and utilized by interactions among individuals and their networks of interrelationships (Nahapiet & Ghoshal 1998; Coleman, 1990). All the actual and potential resources are embedded in the social networks owned by individual and social units. Also several scholars have conceptualized social capital as a set of social resource embedded in relationships (Burt, 1992; Loury, 1997). In this study we focus on social capital embedded in internal interaction relationships within firms. Internal social capital is an important foundation which fosters organizational collective activities (Leane and Buren, 1999). In the context of our exploration of the role social capital in the creation of knowledge sharing, we suggest that it is useful to consider these facets in terms of internal social capital; namely, guanxi, trust, and norms.

## Guanxi

This study concludes that guanxi is a multi-dimensional concept including ganqing, renqing, and mainzi to exhibit the content of guanxi. Ganqing is a special concept developed under Chinese culture which is similar to emotional attachment mainly existed among family members and intimate friends (Hwang, 1987). Renqing refers to social norms and behavioral criteria which regulate people interactions (Hwang, 1987). Mainzi means the social position or prestige gained after achieving certain accomplishment (Wong, et al., 2007) which also refers to the respect among group members and the mutual beneficial ways to save face for one another.

## Trust

The research defined trust as a multi-dimensional construct including three concepts: (1) trust in organizations, in which employees believe that policies benefit them, and after understanding the policies, are willing to contribute what they already know; (2) trust in supervisors to act in a manner that is beneficial to the organization, that they are honest with employees, and always consider employee needs; and (3) trust in coworkers, that employees trust their coworkers' capabilities and the consistency on job and when colleagues have job-related difficulties, they receive assistance in fair manners (Costign, et al., 1998).

## Norms

In Chinese societies, people tend to think and behave in accepted social norms and try to avoid harming others (Currie, 2007).

## **Social Capital and Knowledge Sharing**

Knowledge sharing is defined as providing or receiving task information, know-how, and feedback on a product or a procedure (Cummings, 2004) and has been tied to various management-desired outcomes, including productivity, task completion time, organizational learning, and innovativeness (Mooradian, et al., 2006).

Thus, employees who are inclined to gain face would be more likely to demonstrate their ability and share their knowledge (Huang, Davision, & Gu, 2008). People in more familiar and friendly environment are willing to share personal knowledge and opinions. Successful knowledge sharing has to build on good guanxi and social ties. Summarizing the above discussions, we propose the following hypothesis:

H3: Social capital is positively related to knowledge sharing

H3a: Guanxi is positively related to knowledge sharing.

H3b: Trust is positively related to knowledge sharing.

H3c: Norms are positively related to knowledge sharing.

## Social Capital, Knowledge Sharing, & Organizational Innovation

Organizational innovation referring to the process of transforming innovative and novel ideas into useful products/services/ or possible production methods (Hodge, Anthony, & Gales, 1996). Knowledge sharing is essential because it enables organizations to enhance innovation performance (Calantone et al. 2002; Syed-Ikhsan & Rowland, 2004).

H4 : Knowledge sharing is related to organizational innovation

A firm that promotes employees to contribute knowledge within organizations is likely to generate new ideas and develop new business opportunities, thus facilitating innovation activities. Tsai and Ghoshal (1998) found that the resource exchange and combination mediates the relationship between the social capital and production innovation. Furthermore, Gao, Xu, and Yang (2008) suggested social capital will facilitate knowledge sharing which leads to more innovation. After a conscientious discussion on relationships between social capital and knowledge sharing, and the relationship between knowledge sharing and organizational innovation, we find the mediating effect of knowledge sharing and try to explain these relationships. Thus, we propose the following hypothesis:

H5: Knowledge sharing mediates the relationship between social capital and organizational innovation

## Method

### Participants and Procedures

We will contact the HR department of sample firms to ascertain their intention to participate. After each firm's top management agreed to participate in and support this research, we will sent packages (including a cover letter and five questionnaires for each firm) to the HR department who distributed them to the respondents.

### Measures

All ratings were made on a five-point Likert scale with scale anchors ranging from "strongly disagree" (1) to "strongly agree" (5).

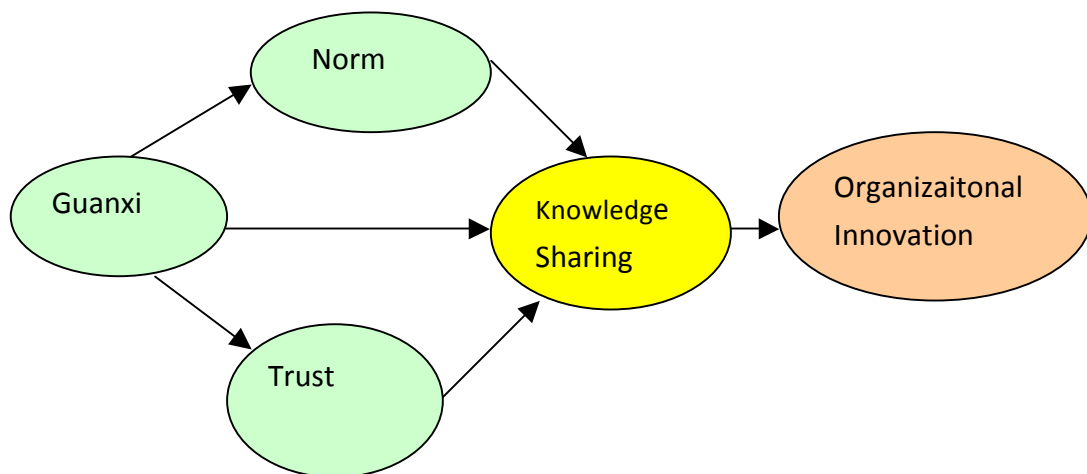


Fig 1. Research Framework

## **Analyses**

We will adopt a two-step process of analysis with LISREL 8.80 (Jöreskog & Sörbom, 2006) to test our hypotheses. Prior to testing the hypothesized structural model, we tested to see if the measurement model had good fit (Anderson & Gerbing, 1988). We used parcels to maintain a favorable indicator-to-sample-size ratio (Bagozzi & Edwards, 1998).

## **Expected Results**

The purpose of this study was to merge evidence drawn from social capital, knowledge management, and innovation to develop and test a theoretically and empirically driven model of social capital on organizational innovation. Although previous researchers have shown that social capital is related to organizational innovation, this study represents the first effort to investigate the mediation process of knowledge sharing underlying this linkage. Our basic argument is that although guanxi represents the opportunity to engage in knowledge sharing with colleagues, the employee needs adequate trust and norms to fully exploit this opportunity. We thus respond to an underresearched question in the extant social capital on knowledge sharing. This study examines the extent to which three aspects of internal social capital—guanxi, trust, and norms—are associated with knowledge sharing. Results showed that effects of social capital can lead to increased knowledge sharing, which increase the organizational innovation.