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NOTE

VOLUNTARY TURNOVER, SOCIAL CAPITAL, AND ORGANIZATIONAL PERFORMANCE

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We propose a supplemental perspective, based on organizational social capital, for examining the voluntary turnover–organizational performance relationship. We view existing organizational-level theories as those focusing on cost or human capital issues or, rarely, on a balance among these factors. But rapid changes in the nature of work, organizational structures, and interorganizational competitiveness increase the importance of studying the role of social capital in the voluntary turnover–organizational performance relationship. We highlight areas of correspondence and divergence among the various perspectives, discuss implications for various performance measures, and outline several research directions.

In a recent *Wall Street Journal* article, Wysocki (2000) pinpoints a new type of Pied Piper effect—teams or networks of people leaving one company for another—that is plaguing many organizations. The trend is to have employees at the crux of social networks be recruited away from organizations, especially if they are seen by the recruiting organization as having the potential to bring with them a raft of valuable colleagues—a process referred to as “hiring via personal networks” (Wysocki, 2000: A1). There are several corporate victims (e.g., IBM, Walt Disney) of the departures en masse, while other companies (e.g., Third Millennium, Healtheon/WebMD) have (at least temporarily) reaped the benefits. This practice tops the list of *unappreciated* practices in the new economy. The trend may be increasing, but Krackhardt and Porter (1986) found evidence of turnover clusters (i.e., a snowball effect) in a study of fast food restaurants more than a decade ago. Interestingly, these anecdotes and sparse empirical evidence reflect a trend in the organizational literature in which increasing importance is attached to social capital or assets embedded in relationships that contribute to the creation of valued outcomes (e.g., Coleman, 1988; Leana & Van Buren, 1999). The loss

of key network members, especially when accompanied by the loss of other key network members, can severely damage an organization’s social fabric and perhaps eradicate its social capital altogether (Leana & Van Buren, 1999).

The consequences of these voluntary turnover patterns and the corresponding loss of social capital in terms of organizational performance are unknown. Moreover, current organizational-level theory concerning voluntary turnover cannot adequately address these issues. In this paper we review existing theory and present a social capital perspective designed to supplement current theory and advance the study of voluntary turnover and organizational performance. To accomplish this, we first briefly review current perspectives in which this issue is addressed. Second, we discuss the implications of social capital losses in voluntary turnover situations, highlighting areas of convergence and divergence and suggesting critical outcome variables. We then provide a departure point for future studies by promoting potentially fruitful research avenues and addressing measurement issues.

Voluntary turnover—an employee’s decision to terminate the employment relationship—and involuntary turnover—an employer’s decision to terminate the employment relationship—are both fertile areas for research (e.g., Shaw, Delery, Jenkins, & Gupta, 1998). Here, we focus on voluntary separations only, although we do not

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discount the importance of involuntary turnover and its implications for organizational performance. Our rationale is pragmatic and reflected in the dynamics of today's knowledge economy. Over the next fifteen years, the demand for mid-career talent is projected to clearly outpace the supply, creating a significant imbalance in demand versus supply. For example, the firm McKinsey & Company concluded that "the most important corporate resource over the next 20 years will be talent: smart, sophisticated business people who are technologically literate, globally astute, and operationally agile" (quoted in Fishman, 1998: 104), and Capelli argues that "while the overall demand for labor will rise and fall, the war for talent will rage on" (2000: 105). Thus, on balance, the attraction and retention of talent in the knowledge economy will likely be more salient issues than downsizing and restructuring. Clearly, many of our ideas also have important implications for involuntary turnover as the issue remains relevant in many volatile and competitive sectors.

CURRENT THEORETICAL POSITIONS

Whereas individual-level studies tend to focus on the "problem" of voluntary turnover, with a focus on designing ways to prevent it (see Dalton, Krackhardt, & Porter, 1981, for an exception), organizational-level theorists often recognize the potentially positive aspects of it. There are areas of overlap and distinction among the two key streams (cost and cost-benefit perspectives and human capital approaches). We view the key differences in terms of the conceptual paths pursued in each perspective—that is, they differ in terms of why voluntary turnover is expected to relate to organizational performance and, in some cases, make differential predictions.

We label the first perspective the *cost or cost-benefit approach*. For many years researchers and practitioners alike have attempted to isolate the costs of voluntary turnover in terms of separation (e.g., exit interviews), replacement (e.g., advertising and selection costs; Darmon, 1990), new-hire training (Smith & Watkins, 1978), and general administration (Dalton & Todor, 1982) costs (see also Hom & Griffeth, 1995, for an extensive review). Widely varied ranges of the costs associated with a single separation—and additional speculation that there are hidden

costs not captured in these dimensions—have resulted. The conceptual link to performance in this approach is straightforward: higher incidents of turnover in organizations increase costs monotonically, and financial performance is thereby lowered.

In the cost-benefit approach the costs of turnover are consequential, but organizations can also realize benefits from a certain level of voluntary turnover. Payroll and related reductions (e.g., Dalton & Todor, 1982), voluntary separations of poor performers (Dalton et al., 1981), improvements in innovation, and reductions in stagnation (e.g., Abelson & Baysinger, 1984; Schneider, 1987) are all noted as benefits of a certain level of turnover.

The cost-benefit approach differs from a strict cost-based formulation in that a curvilinear, as opposed to negative and monotonic, relationship between voluntary turnover and organizational performance is predicted; also, it is predicted that the relationship is *positive* in a restricted range between zero and an optimal level, but negative thereafter. The conceptual foundation for the curvilinear prediction differs depending on the expected benefits of low levels of turnover. From a purely financial cost perspective, low voluntary turnover levels are justified, since the cost of retaining all employees outweighs the benefits of doing so, whereas innovation and change arguments imply that very low turnover creates stagnation and "trained incapacity" (Dalton & Todor, 1979: 266).

The predominant theoretical approach to examining organizational-level consequences of voluntary turnover is *human capital theory*, which suggests that organizational functioning is determined by the accumulation of firm-specific, valuable human capital (Strober, 1990). Human capital is seen as the primary determinant of productivity, and because voluntary turnover diminishes human capital, productivity is weakened as turnover increases. Human capital theorists make distinctions between firm-specific and more general skills and abilities (e.g., Becker, 1993; Pil & Leana, 2000). But from an organization's perspective, both types of investments are costly, and once an investment decision (in specific or general skills) is made, the organization has an incentive to continue the employment relationship. That is, voluntary turnover eliminates the organization's return on investment in the employee (i.e., a loss of a pro-

ductive worker), and productivity should decrease in proportion to the lost skills. There is some evidence, however, that the loss of idiosyncratic, as opposed to general, human capital may be more damaging (e.g., Pennings, Lee, & van Witteloostuijn, 1998). The picture is more complicated, of course, when viewed from the individual's perspective, since voluntary turnover is considerably more costly when human capital is solely firm specific (Becker, 1993).

In summary, a direct negative relationship between voluntary turnover and productivity levels can be derived from human capital theory. The relationship between turnover and financial performance is more complicated when viewed through this lens. On the one hand, a mediation model is suggested, where workforce productivity mediates a negative relationship between voluntary turnover and organizational performance. On the other hand, Osterman (1987) notes that firms may make human capital cost tradeoffs, where some firms invest heavily in human capital and expect high productivity while others pursue profitability through low investments and low productivity.

In the cost and cost-benefit approaches, it is predicted that voluntary turnover rates generally erode financial performance by increasing costs, although cost savings are sometimes evident. In human capital theory, in contrast, two alternatives are hinted at. Voluntary turnover may weaken organizational performance through the mediating role of lower productivity, but firms may attempt to match the costs of turnover with a corresponding level of investment in human capital.

While several researchers have called for more theory testing in these areas, empirical organizational-level examinations of these perspectives are exceedingly scarce. Regarding cost-based approaches, two empirical studies provide evidence that voluntary turnover increases costs and reduces efficiency in organizations. Kasarda (1973) found that turnover rates among public school teachers were associated with increases in the number of administrators and overhead costs, and Alexander, Bloom, and Nuchols (1994) found that nursing turnover diminished hospital efficiency. Interestingly, almost two decades after curvilinear cost-benefit predictions began to appear (e.g., Abelson & Baysinger, 1984), no empirical support at the organizational level has been found for this for-

mulation (see Shaw, Delery, & Gupta, 2000, for a rare test), although Katz (1982) found a group-level curvilinear effect. With regard to human capital theory, Osterman (1987) concluded that a negative relationship between organizational-level turnover and productivity was fairly well established, although he relied mostly on indirect evidence (e.g., individual-level job mobility research) to draw this conclusion.

In the next section we detail a supplementary social capital perspective on the relationship between voluntary turnover and performance.

VOLUNTARY TURNOVER AND SOCIAL CAPITAL CONSIDERATIONS

We follow Leana and Van Buren in examining social capital at the organizational level—that is, as “a resource reflecting the character of social relations within the organization, realized through members’ levels of collective goal orientation and shared trust” (1999: 540). Social capital is seen as a public good (organizational resource), rather than a private good (individual resource). It is critical because knowledge-based resources, in contrast to property-based resources (e.g., machinery, equipment, and land), are tacit in nature and cannot be protected easily against loss or unauthorized transfer (Miller & Shamsie, 1996). Thus, combining and leveraging knowledge-based resources and creating firm-specific ties clearly add value (perhaps synergistically) to the organization.

For most of the twentieth century, the key focus of managerial effort was toward a more efficient allocation of the factors of production: labor and capital. The salient resources of concern to managers were tangible resources such as natural resources, land, and money, as well as intangibles such as brands, reputation, and customer loyalty. Today, however, more than 50 percent of the gross domestic product (GNP) in developed economies is knowledge based, including such notable industry sectors as computers, software, pharmaceuticals, education, and so on (Drucker, 1997; *The Economist*, 1996). Intellectual and information processes now create most added value for firms in large service industries. According to the Bureau of Labor Statistics, the service-producing sector continues to lead projected employment growth, and the ten leading industries—accounting for 60 percent of projected job growth between 1996 and 2006—

are all in service industries (Franklin, 1997, cited in Meyer & DeTore, 1999). Moreover, intellectual activities, such as research and development, process design, and product design, generate the bulk of added value in manufacturing industries as well (Quinn, Anderson, & Finkelstein, 1996).

Interestingly, the discussion of the role of social capital in the turnover-performance relationship is virtually nonexistent. When comparing the existing approaches to the voluntary turnover-performance relationship with a social capital approach, we see clear areas of congruence and divergence. For example, although the precise form of the relationship could be debated, in the cost-benefit, human capital, and social capital approaches, very high levels of voluntary turnover that would hinder the organization's ability to function effectively would be predicted. The perspectives also complement one another in that they focus on factors necessary for organizational functioning. That is, regardless of whether or not an organization is knowledge-based, controlling replacement costs, retaining highly skilled employees, and preserving social capital are important goals. But as the nature of work rapidly changes, the relative weights that these factors should be given in assessing turnover's relationship to performance are markedly different. Moreover, there are differences between human and social capital losses in terms of the degree of performance erosion (e.g., additive or exponential) likely to result from high turnover levels. Finally, the type of intermediate performance or outcome variables each is likely to affect is expected to be different.

Weight of Human and Social Capital Considerations in the Turnover-Performance Relationship

In knowledge-based organizations, developing and retaining human capital become less important as the key players (talented professionals in particular; see Pink, 1998) take the role of "free agents"—that is, they bring with them to the table the requisite skill levels in most cases. The development of social ties in organizations may help tie key knowledge workers (i.e., free-agent professionals) to the firm (Capelli, 2000). Increasingly, it is becoming widely accepted that knowledge workers exhibit greater loyalty

to their colleagues and their profession than to their employing organization (Capelli, 2000). As Feldman notes, workgroup loyalty is often a much stronger force among professionals than commitment to "an amorphous, distant, and sometimes threatening corporate entity" (2000: 179). This type of loyalty is associated with greater relational ties (in terms of number and strength) and may serve as the backbone of effective performance. The long-term performance consequences of voluntary turnover may be less attributable to a skill (human capital) deficit than to the accumulated social capital lost through voluntary turnover. Thus, addressing these issues in the knowledge economy also entails the challenge of managing and retaining organizational social capital among employees in general and professionals in particular.

These arguments tie in quite well with the key tenets of the resource-based view of the firm—that is, advantages accrue from the creation of *unique bundles* of resources that competitors are unable to imitate (Barney, 1991; Wernerfelt, 1984). Teece, Pisano, and Shuen (1997) distinguish between "core competence" and "dynamic capability" by emphasizing the managerial processes involved in combining resources for advantage(s). Typically, such imitation is problematic because of the inherent specialization, scarcity, and tacit knowledge in human assets (Lippman & Rumelt, 1982). The role of an organization's culture, processes, structures, and so forth is critical in combining and leveraging individual talents and competencies. Prahalad and Hamel have also articulated the idea of "informal networks and practices" and "links." They posit that "the real sources of competitive advantage are to be found in management's ability to consolidate corporate-wide technology and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities" (1990: 82).

Although constructed from the private-good view of social capital, Burt's (1997) distinction between human capital and social capital is helpful in addressing resource combination and leveraging of knowledge resources. Burt argues that "while human capital refers to individual ability, social capital refers to opportunity" (1997: 339). When viewed from the organization's perspective, this view suggests that managers primarily add value by coordinating people—by

brokering relationships between individuals in order to get the right people together to develop the opportunities. Thus, the importance of organizational social capital in the functioning of organizations increases in knowledge-based organizations, where highly skilled free-agent professionals are available in the market and positively synergistic relationship resources take on increasing importance. Moreover, social capital losses resulting from voluntary turnover will likely be more predictive of organizational performance than human capital losses in such organizations.

Additive and Exponential Performance Erosion from Voluntary Turnover

The second area of divergence between existing approaches to the voluntary turnover-performance relationship concerns the magnitude of the loss of human and social capital resulting from voluntary turnover. Cost-based and human capital approaches to explaining the voluntary turnover-performance relationship are essentially aggregated individual-level perspectives—that is, one can isolate the “costs” of turnover to organizations by aggregating replacement costs or the skills lost by the multiple voluntary separations. Therefore, the expected diminishment in organizational performance can reasonably be expected to be monotonic; indeed, in some of the rare empirical research addressing these issues, just such a relationship is predicted (e.g., Alexander et al., 1994). Social capital, by way of contrast, is created through combining and leveraging resources. As such, it may yield exponential performance benefits for organizations, but it also increases the potential downside risk exposure should something go wrong (e.g., voluntary turnover of key network members). Several authors (e.g., Gerhart, Trevor, & Graham, 1996) have noted that the combining and leveraging of resources is an effective way to increase upside performance potential; it simultaneously exposes the organization to the potential for negative synergy should the central figure and/or other key players in the network voluntarily exit for other opportunities.

To illustrate, as an individual shares knowledge with others, those others can reap the benefits of the information (leading to linear growth). Furthermore, when those people then

go on to share the knowledge with others and feed back questions, amplifications, and modifications that add further value for the original sender, such accumulation of knowledge creates exponential total growth (Quinn et al., 1996). Not too surprisingly, “star” performers at Bell Labs were identified as those scientists who placed a high priority on and were successful in networking activities (Kelley & Caplan, 1993). They understood that networking was a barter system and, after accumulating credits, had little problem in receiving help when they asked others for advice. Clearly, such individuals have, among other things, access to a broader range of informational sources and tend to create more value for their organizations. Voluntary turnover among such individuals will create a rather significant gap in the knowledge-sharing and knowledge-generating activities within the organization. These problems are magnified by the potential for simultaneous departures of other network members.

The preceding discussion highlights critical issues in organizations today that are not completely captured theoretically by existing perspectives. In existing approaches the effect of the departure of a long-tenured individual on organizational performance would be estimated (1) by comparing the human capital accumulations of the departing employee with the replacement and estimating the corresponding short-term productivity loss and/or (2) by estimating the short-term savings (e.g., lower pay) of the new employee versus replacement costs (e.g., recruiting and selecting a replacement). Although valuable—and certainly these have an impact and should be addressed—these approaches neglect to consider the value of the departing individual’s social capital, his or her placement in the key social networks, and the corresponding and possibly long-term disruptions in these systems.

Research demonstrates that individuals in long-standing groups develop transactive memory—a shared memory phenomenon for encoding and storing information in the social system (Wegner, 1987). Individuals cultivate external memory and information aids through others and, in doing so, become part of the larger system (Wegner, Erber, & Raymond, 1991). The process reduces the cognitive load of any one individual and gives the group a large pool of information resources across domains. Volun-

tary turnover dramatically damages transactive memory, since transactive memory is based on the relative knowledge of others.

Moreover, trust is a key facet of social capital accumulation (Leana & Van Buren, 1999) and can be considered an alternate control or governance mechanism (Floyd & Wooldridge, 2000). Trust lowers transaction costs (Nahapiet & Ghoshal, 1998), since norms of reciprocity are strengthened and the uncertainty associated with potentially opportunistic behavior is mitigated (Provan, 1993). Such trust in exchange relationships is vital, given the salient role of resource combinations in knowledge organizations. Therefore, organizations suffer disproportionate losses when individuals who are successful in creating social capital via the maintenance and augmentation of network relationships throughout the organization leave the organization. As Argote (1999) notes, the more an organization's performance depends on the knowledge residing in employees, the higher the rate of depreciation because of voluntary turnover. To summarize, the predicted effects of voluntary turnover on performance from existing theoretical perspectives are generally negative but monotonic. In contrast, social capital losses from voluntary turnover may have exponential negative effects on organizational performance.

In this paper we discuss how voluntary turnover may erode an organization's social capital, as well as the consequent performance implications. We recognize, however, that the direction of this relationship may be logically reversed—the extent of an organization's social capital may strongly affect voluntary turnover levels (Brass, 1995). As noted earlier, professionals tend to be more loyal to their immediate workgroup than to their employing organization (e.g., Capelli, 2000; Feldman, 2000). Thus, although their loyalty to the organization may be low, people who have strong interpersonal relationships with peers are less likely to terminate the employment relationship. Peteraf (1993) provides the example of a Nobel Prize-winning scientist—a resource approaching perfect mobility. If this individual developed social capital through firm-specific ties and synergistic relationships with talented managers, or identified closely with colleagues, the likelihood of his or her maintaining the employment relationship would be greater.

Moreover, trust, a key facet of social capital (Tsai & Ghoshal, 1998), can be an important factor in determining whether people will voluntarily leave the organization. Leana and Van Buren (1999) make a distinction between fragile and resilient trust. Whereas the former is based on a strategy of reciprocity and the immediate likelihood of rewards, the latter refers to deeper, ongoing reciprocal norms and, in effect, creates "expectations that bind" people to organizations (Kramer & Goldman, 1995, cited in Nahapiet & Ghoshal, 1998: 255).

We recognize that the causal direction between voluntary turnover and social capital is difficult to isolate and that the relationship is reciprocal, or one of repeated causal sequences.

The Voluntary Turnover–Organizational Performance Relationship: Reconsidering the Dependent Variable

Drawing on Burt's (1997) earlier distinction between human capital and social capital, we suggest that the performance outcomes of voluntary turnover will be quite different depending upon whether one takes a human capital or social capital perspective. As noted by Becker and Gerhart (1996), human capital, viewed either as labor or as a business function, typically is regarded as a cost to be minimized or as a potential for increases in efficiency. As noted, existing perspectives, generally speaking, do not provide organizational-level predictions that vary from an aggregation of individual-level predictions. For the most part, resources are considered discrete, and the summation of the corresponding benefits and costs associated with such resources at lower levels in the organization yields an outcome measure for the entire organization. In essence, there is implicitly no chance for aggregation errors since interdependencies among resources are not considered. In Thompson's (1967) terminology, pooled interdependence is assumed, wherein each resource renders a discrete contribution to the whole. Therefore, outcome measures such as efficiency and productivity—at the subunit or organizational level—would be most appropriate and the general means to this end would be to optimally adjust incoming factors of production.

When the effect of voluntary turnover is viewed from a social capital perspective, the relevant performance outcomes are quite differ-

ent. Rather than an emphasis on pooled interdependence, as the human capital perspective suggests, sequential and reciprocal interdependence become salient (Thompson, 1967). Here, the focus is on relationships among individuals and how they are able to combine resources in unique ways that are difficult for competitors to imitate, thus enhancing the potential for sustainable competitive advantages (Barney, 1991; Wernerfelt, 1984). Nonaka and Takeuchi make the important point that "knowledge is created and expanded through social interaction between tacit and explicit knowledge" (1995: 61). Also, unlike other forms of capital, the returns from knowledge—facilitated by social capital—are subject to increasing, as opposed to decreasing, returns (Evans & Wurster, 1997). That is, as an employee shares a skill or competence with others, the potential returns to the organization expand, not contract.

Given the potential for knowledge creation and innovation via the relationships inherent in the social capital approach, a much broader conceptualization of performance, as opposed to the human capital perspective with its narrow emphasis on efficiency and productivity, is needed. To this end, Kaplan and Norton's (1996) "balanced scorecard" provides multiple perspectives on performance, enabling a richer assessment of a firm's performance, as well as its strengths and weaknesses. The four perspectives are financial, customer value, operations, and organizational. For example, in addition to providing superior financial returns, organizational social capital could serve to augment a firm's leadership and ability to engage in organizational learning (organizational); core business processes, such as product development and order fulfillment (operations); and innovation and quick response (customer value). Similarly, based on Wooldridge and Floyd's (1990) work on middle-level involvement in strategy formulation, outcomes of social capital could be both instrumental (e.g., improved decision quality) and affective (e.g., commitment).

FUTURE RESEARCH DIRECTIONS AND CONCLUSIONS

Drawing on Burt's (1997) earlier distinction between human capital and social capital, we suggest that research on the organizational performance consequences of voluntary turnover

include a focus on the retention of *social capital* (in addition to one emphasizing the retention of *human capital*). As noted in the opening vignette and illustrated throughout, individuals with a strong network of relationships are valuable in terms of having access to both information and resources for their employing firm, attracting other high-performing individuals into their organization, and maintaining strong network ties to external stakeholders such as customers, suppliers, and alliance partners. Thus, they are in a position to create "learning platforms" (Grenadier & Weiss, 1997) from which new resource combinations may emerge. Clearly, their value goes far beyond their base of *individual* knowledge and skills.

Based on our analysis, several potentially interesting areas of research are evident. In future research scholars should explore two contradictory perspectives on how networks create social capital and the performance implications for voluntary turnover. Coleman (1988) has emphasized the role of cohesive ties in facilitating cooperation. Burt (1992), however, contends that such ties lead to inflexibility and inhibit complex task coordination. He draws upon structural hole theory to argue for the benefits achieved via brokerage opportunities formed by weak ties, which result in less network closure and greater access to a wider variety of informational sources. Therefore, researchers could explore contingencies associated with the relative benefits of each potential outcome—that is, cooperation versus timely information regarding new opportunities. One could argue, for example, that in complex and dynamic environments (Child, 1972), an organization would benefit more from the bridging of structural holes than from network closure because of the need for a variety of timely sources of information. In stable and simple environments, however, cohesive ties would help to ensure more timely implementation of strategies.

Similarly, the strategy that a firm or business unit follows could also be a contingency to consider. For example, managers with social networks characterized by closure would be hypothesized to be more advantageous in a firm following cost leadership strategies (Porter, 1980) because of the need for control and coordination to implement rather constrained strategies. Alternatively, the ambiguities and uncertainties generally associated with differentiation strategies

(Porter, 1980) would require a broader range of information sources and inputs, enabling managers with social networks characterized by weak ties a greater opportunity to add value. Thus, in the context of our paper and from a normative perspective, firms should develop retention strategies for talent based partly on the type of social networks managers or professionals have developed.

Another intriguing extension would be the exploration of the possibility of cross-over effects—that is, the impact of voluntary turnover in one organization on the performance of other closely linked organizations. Interorganizational linkages are becoming more intense and organizational boundaries less distinguishable (e.g., through strategic alliances, outsourcing, sole supplier relationships, increased customer involvement in product design, and so forth). The result is that voluntary turnover among individuals who have created valuable social capital across organizational boundaries may erode the performance of alliance partners as well as the focal organization. Such research questions have not been addressed to our knowledge, but a social capital approach could be used as a platform for pursuing these ideas.

In today's environment firms must also look beyond their organizational boundaries to create value for the firm and strengthen competitive advantage(s). Porter (1985) and others suggest that managers view their firm as part of a system of value chains and analyze where they can add value for the firm, as well as for suppliers, customers, and alliance partners. Dyer and Singh (1998) argue that given efficient markets for factor inputs, they are either readily available to all competing firms, or acquiring them is approximately equal to the economic value that they create (Barney, 1986). Recent studies have indicated that productivity gains in the value chain are possible when trading partners are willing to make relation-specific investments and combine resources in unique ways (e.g., Dyer, 1996).

The above contrasting perspectives of cohesive ties (Coleman, 1988) versus the brokerage opportunities provided by weak ties (Burt, 1992) raise an important methodological consideration. We are aware of a level-of-analysis issue with Burt's (1992) work on structural holes and the concept of organizational social capital, but the former may have implications for the public-

good approach. As an example, Brass and Burkhardt (1993), in their review of the social network literature, propose three alternate centrality measures that are relevant to the present discussion. The first is "in-degree" centrality, which can provide an indicator of a person's prestige, since it is an indicator of how often an individual is chosen. The second measure, "closeness," indicates both the direct and indirect links a person has to others. Therefore, it can measure the extent of an actor's independent access to others. "Betweenness," the third measure of centrality, refers to the extent to which the focal person falls between pairs of other persons on the shortest path connecting the pairs (Brass & Burkhardt, 1993). Thus, betweenness provides an indicator of the extent to which others are dependent on an actor. Whereas closeness is similar to Coleman's (1998) cohesive ties, betweenness parallels Burt's concept of bridging structural holes. An interesting research question becomes this: When individuals voluntarily exit an organization, which indicators of centrality have the greatest potential to explain and predict dysfunctional organizational outcomes?

We applaud attempts by researchers to develop specific measures applicable to the research context (e.g., Pennings et al., 1998; Tsai & Ghoshal, 1998), since they may allow more specific and powerful testing of social capital hypotheses. Such measures, however, also may sacrifice generalizability, since it is not possible "to be simultaneously general, accurate, and simple" (Weick, 1979: 35). We encourage researchers to consider the possible tradeoffs of accuracy and generalizability when evaluating alternative measures of social capital. Furthermore, an important methodological consideration may be, in part, illustrated via Rosenberg's (1968) distinction between two types of generalization: descriptive and theoretical. Whereas the former involves generalizing "a finding based on a smaller number of cases to a broader population" (1968: 222), the latter generalizations occur when "variables are seen as *indicators* or *indices* of broader concepts" (1968: 223). Thus, social capital research may provide misleading results and interpretations if researchers do not take care when conceptualizing and measuring the construct. In this case of centrality, an example would be when a broad variable (e.g., centrality) is operationalized as a

single dimension (e.g., closeness) but generalizations are made to the broader construct.

We have focused on the benefits of social capital to organizations in the context of voluntary turnover, but we should also briefly address the potential costs. In an ironic twist, the downside of social capital dovetails with some ideas presented in the cost-benefit approaches we outlined earlier. In the extreme, organizational social capital can be potentially costly, as well as serve to restrict the infusion of new ideas and innovation (Nahapiet & Ghoshal, 1998). Leana and Van Buren argue that individuals are "socialized in the norms, values, and ways of working inherent to the workgroup and the organization" (1999: 550). Such socialization processes can be expensive in terms of both financial resources and managerial commitment and may represent a significant opportunity cost that should be evaluated in terms of the intended benefits. If such expenses become excessive, profitability may be eroded.

Furthermore, if accepted behaviors and belief systems become institutionalized, innovation will become stifled, because tacit social pressures may prevent individuals from deviating from established procedures and practices (DiMaggio & Powell, 1983). This could result in lower revenue growth, for example, because a firm would be unable either to recognize and commercially exploit new technologies or successfully enter new product markets. Similarly, such failures could reduce profitability because managers might not have the foresight to envision new ways to effectively combine and leverage resources. Moreover, deeply rooted mindsets, which serve to inhibit a firm's ability to properly respond to new environmental threats and opportunities, may lead to the hiring, rewarding, and promotion of like-minded people who tend to further intensify organizational inertia and erode innovative processes. As noted by Nahapiet and Ghoshal, "Organizations high in social capital may become ossified through their relatively restricted access to diverse sources of ideas and information" (1998: 260). Such homogeneity of perspectives tends to erode the effectiveness of decision-making processes.

Finally, the study of "best practices" by organizations, which serve to promote social capital, should be explored as a means of further developing both normative and descriptive theory.

For example, at Novell, reward structures go beyond the assessment of human capital (i.e., individual skills and competencies) and serve to reinforce the value of collaborative and collegial behavior on the part of knowledge workers. In order to attain the rank of "distinguished engineer," for instance, a professional must be elected by his peers. As noted by Eric Schmidt, CEO: "It's a standard that encourages tech people to be good members of the tech community. It acts to reinforce good behavior on everyone's part" (quoted in Mitchell, 1999: 176).

Although such initiatives may serve to enhance social capital and enable firms to reap the potential benefits that we have addressed, exploratory research could also address the other side of the coin, so to speak. On the one hand, do such endeavors yield a favorable cost-benefit tradeoff and lead to decreased voluntary turnover, the enhancement of employees' firm-specific ties, the lowering of transaction costs, and so on? Or, on the other hand, do such initiatives lead to dysfunctional outcomes, such as gamesmanship, and an erosion in innovative and novel decision making resulting from such factors as a lack of diversity in perspectives, backgrounds, and decision-making styles?

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