

FROM SOCIAL CAPITAL TO SOCIAL PROFITS: DISCOURSES ON CORPORATE ETHICS, GOVERNANCE, CHOICE AND VALUES

DR PRASENJIT MAITI
ASSISTANT PROFESSOR
PUBLIC SYSTEMS MANAGEMENT AND
HUMAN RESOURCE MANAGEMENT DEPARTMENTS
INDIAN INSTITUTE OF SOCIAL WELFARE AND BUSINESS MANAGEMENT
MANAGEMENT HOUSE, COLLEGE SQUARE WEST, KOLKATA 700 073
<pmaiti@vsnl.com>

EXECUTIVE SUMMARY

The concept of Social Capital was originally conceived in the area of the social sciences, especially in Political Science and Sociology, to understand the networks of trust and cooperation that facilitate human interactions, transactions and exchange in the sphere of the civil society. This paper argues that the theoretical category of Social Capital can also be suitably utilized in the domain of the behavioral sciences, especially in Management Science, to understand various angularities of disciplines such as Industrial Relations, Labor Welfare, Human Resource Development, Organizational Behavior and Supply Chain Management. It is critical to appreciate that Social Capital is not only an altruistic concept but that it is also a tool of self-preservation and profiteering that happen to constitute the core predatory instincts of conscientious business managers and their industry-specific think tanks.

KEY WORDS Social Capital, Rational Choice, Value Management, Culture Root Paradigms, Sociability Discourse, Industrial Relations, Inclusive Growth, Sustainable Development, Corporate Social Responsibility, Corporate Governance, Multi-Stakeholder Dialogue

INTRODUCTION

Social Capital as an analytical tool can be used in the field of Business Management to facilitate different business practices from both an ethical angle and a utilitarian perspective (Bjørnskov 2004 and Beugelsdijk 2004). Business managers should try to entrench networks of trust, loyalty and cooperation within and without their organizations. This also makes good business sense in terms of rational choice theory.

Good business is also about establishing customer-friendly images in a manner that highlights values such as reliability, trustworthiness, quality, economy and durability. These values evolve over time and are underpinned by a sustained relationship of confidence. So specific products more often than not become identified with brand names either for niche or for broadbased markets. Brand equity and positioning so generally depend upon the successful merchandizing of products and their images (Boix and Posner 1998).

THEORETICAL FRAMEWORK

The *problematique* of this paper is structured around the polemic of civil societal institutions (networks and embeddedness) and democratic governance (inclusive growth and participatory development) among other critical areas of social scientific research. This line of theoretical research is expected to contribute new knowledge

and facilitate innovative research to better understand the interactions and interplay between actors and their institutions (Bourdieu 1979).

The politics of everyday life and human development are generally informed by the dynamics of choice and the strategies of cooperation. This tension can be somewhat resolved by adopting the social capital approach, as inclusive growth can more often than not be ensured by empowered choices and delegated actions.

The above contention is supported by the World Bank's perception of social capital. The Bank tends to apply the lessons learnt from various projects funded under its auspices in the light of community fabric, collective trust and networks of cooperation sustained by the ethos of multi-stakeholder dialogues.

This highlights the importance of social capital in all our grand as well as small narratives today in a world where economic signifiers and their signified meanings are more or less in a state of constant flux provoked by the marketplace of politics and the social as well as cultural rhetoric of globalization.

The Bank has also championed the Think Globally Act Locally slogan while the Millennium Development Goals themselves are a construct of social capital that require meaningful negotiations with the perceptions of disengaged civil societies and panoptic state systems.

TRADITION OF TRUST

A perspective analysis of the dynamics of trust in any business organization happens to be a most problematic exercise that has to be carried out over a period of time and that involves multiple stakeholders as well. Why should one trust his / her peers, superiors and subordinates? Is trust a construct of culture specifics? Can trust be equated with the given socio-politico-economic realities of any spatio-temporal context? Can trust be learnt or emulated? Can trust be analyzed in terms of cost-benefit calculations?

These are rather disquieting questions with no unilinear answers. Business leaders have to realize that the pedagogics of trust and resilience of professional relationships can only be tested against either hypothetical or real life situations where the actual motivations, aspirations, perceptions, preferences and culture root paradigms of individuals or groups are explicitly exposed in the given context of their informed self-interest (Bourdieu 1986).

Trust happens to be a matter of choices that is not altogether different from the various other choices we make during the course of an ordinary day. But choices are also inspired and conditioned by values that are established standards of social interactions and constantly relearnt during the life of organizations and the professionals who sustain such organizations.

But trust is also a societal resource that is limited by its very nature, as individuals more often than not put their own self-interest first rather than the interest of their respective organizations. The core challenge is to translate these small narratives of power into a grand narrative of preference that would ultimately facilitate a transition of business culture of given organizations.

So the game that is to be played by the different parties concerned would be to transcend the *actors and institutions* model to the *actors in institutions* prototype. This would be a game that requires a multiplicity of stakeholders and a plethora of their interests that would finally be integrated in an overarching design of motivations, aspirations and role performance (Burt 2000).

When disjointed players start to commence upon the game upon a somewhat level play field then emerges the ever-critical issues of entitlements and capabilities. Each and every player has got entitlements to improve upon his / her own material conditions of life, status of empowerment, value systems and catalyze the politics of everyday life. These entitlements have then to be qualitatively upgraded to the level of capabilities. So from professionals to stakeholders is a long journey of accomplishments that would institutionalize a culture of trust and cooperation in organizations for the mutual benefit of all the concerned stakeholders.

TRUST AND ROLE PLAYING

Trust and cooperation happen to be dynamic aspects of human behavior that are both acquired as well as achieved during the course of everyday interactive exercises. One has to appreciate that trust as an interface is perhaps more potentially real and tangible rather than trust as a construct, as the former is an arrangement of convenience, connivance and knowledge while the latter is a living entity that comes across our daily social interactions as a concept that works in real time. In essence, therefore, reciprocation sustains trust while trust facilitates cooperation.

Why should one cooperate with another? Is it a learnt reflex or is it based on enlightened self-knowledge and self-interest? Would cooperation lead to intense creativity, new images, different ideas and better emotional and stress management? These questions and their answers have to be delved into and dwelled upon before we even try to garner an entire array of new knowledge on this subject.

Relationships can be built upon cooperation, competition and conflict. Each such mode will explore new models of interface and would finally lead to an inchoate world of new possibilities where men and women in the industry would steadily learn how best to unlearn past lessons and deschool themselves from the cultural baggage handed down the generations.

For one lesson is almost clear at this juncture of empirical findings i.e. actors will only cooperate if there are elements of confidence and potentialities of profit to be found in such bilateral or even multi-modal discourses. The architecture of social knowledge that fosters industrial relations and the microphysics of power that acts as a conducive ensemble in the background of labor welfare are, after all, situation-driven and culture-specific realities that need to be continuously re-examined against the context of changing politics and economics of the body social (Burt 2007).

But what about the body corporate as a whole? This is an entity that can neither be enticed nor be allured into rash decisions and myopic strategies. If cost-cutting is the order of the day and free rider expenditures are on their way out, then it is also the duty of business managers to adequately sensitize their industrial work forces and

integrate them in a culture of consensus without which the entire complicated domain of trust management would be severely disempowered.

NEGOTIATING TRUST

From the management of human values to the management of corporate trust is a long, arduous and unenviable journey that requires out of the box thinking matched with the capacity to relate to the empathy of individuals. So rapport-building would appear to be a crucial requirement in this context of trust management when business leaders should be able to overcome the tedium of Human Resource Development overkill in order to efficaciously enter into revolutionary dialogues with both blue as well as white collar workers to make them chant the mantra of their respective organizations underpinned by their rational choices (Chloupkova *et al* 2003).

IDEAS / IMAGES

It may appear to be rather far-fetched to deploy a highly specialized social scientific theoretical category like Social Capital in the area of Business Management and Industrial Relations. The latter is a network of relationships that enter into professional dynamics with one another in the highly charged world of business informed by factors such as the profit motive, ethical applications, Corporate Social Responsibility, conflict resolution and a sense of accountability vis-à-vis the environment, sustainable development and inclusive growth.

So innovative ideas supported by creative images are required to streamline Industrial Relations in the post-globalized scenario that predicates upon both a breakdown of barriers as well as establishment of new and difficult barriers in the cyber world of netizens, their perceived expectations and their ever-increasing sense of achievements and complex role performances (Coleman 1984).

So we have to understand the *problematique* of the increasing hiatus between business managers and their employees in the context of relative deprivation that may be either incremental or else decremental in nature. The critical ploy that has to be strategized in this connection is the network of inter-dependence that depends upon the fluctuating degrees of trust and cooperation and overall organizational health of any given industry.

RATIONALITY OF CHOICE

It is somewhat difficult to estimate the rationality of a choice until the outcome of that choice is perceived either in material or else in psychological terms. Exactly *how rational a choice is* would have to be decided subsequently when the question *how utilitarian that choice was* would emerge in the future. The issue of Industrial Relations is all about the management of choices in the workplace. Why should workers obey the management? What are the concerns of the management that are reflected in its style of leadership? Is loyalty related to motivation? Or is loyalty a function of the chain of command? What are the effective outputs of hierarchy?

The entire discourse on *Discipline and Punish* is predicated upon the assumption that the State (in this case the Management) is always monitoring and evaluating the actions (and the consequences of such actions) of its Citizens (in this case the Workforce). This social scientific approach to conformity rests on the hypothesis that

individuals as rational actors would intelligently choose between the options of conformity and non-conformity. While the former leads to the area of Reward Management the latter leads to theories of penology i.e. how to mete out punishment that would rectify and improve upon i.e. re-condition errant behavior.

So the question of effective communications arises at this juncture. How effectively can managers communicate with their workers is a serious issue. Here emerge the concerns of dialogue versus pedagogue. What are the qualities of dialogue that distinguish the channels of communications from the aspects of the power-authority discourse?

CHOICE AS A PARADIGM

The model of multiple preferences is rather complicated, as it entails different types of choices in different space, time, culture, knowledge and power discourses. The choices before a Trade Union may not always be uniform, and may be influenced by considerations like a global economic meltdown, local political tension, national emergency, social problems, regional discrepancies in development, bad economy of scale, retrenchment, cost-cutting etc.

But the critical central issue still remains the anatomy of choice: why do men and women ordinarily behave in one manner and why do they tend to behave otherwise under duress? This in itself constitutes an interesting universe of research where various factors such as values, beliefs, attitudes, inclinations, orientations, opinions etc come into play in the wider area of choice influenced by an inchoate regime of deterministic / indeterministic chaos (Coleman 1988a).

OWNERSHIP / TRUSTEESHIP

The management and the workers have to mutually entrench an ethos of cooperation that would both create and sustain the values of Ownership / Trusteeship in their given organizations. One has to belong to and long for one's organization simply because organizations are the institutions of collective behavior where people associate and interact to pursue certain set goals.

The very fact that these targets have to be achieved and new targets innovated point to the fact that the organizational health of any given industry is sound. The point of saturation has to be ably and creatively transformed into an arena of new possibilities that lead to new challenges and innovative gestures.

But achievement of targets is critically dependent on team performance, and so the team players have to share different degrees of responsibilities and have to be burdened with different measures of failures and successes. The most important consideration at this point is to determine who can shoulder what amount of burden. So the question of authoritative allocation of values has also to be pondered upon actively by the management concerned.

The issue of Ownership / Trusteeship is also almost organically related to the issue of institutions. Each business organization, in sociological terms, is an institution replete with a history of evolution, work culture, Trade Union ethics and typical management practices. So the study of business organizations as dynamic

institutions of power, authority, repression, obedience, reward and punishment may lead to an ulterior understanding of Industrial Relations.

Actors and their interventions become criticalities that have to be objectively factored into the discourse of polemics that center on issues / concerns of Industrial Relations. The credo of loyalty is also another ponderable that may be studied or else addressed in order to appreciate the different dynamics of Social Capital, Rational Choice and Value Management.

VALUE MANAGEMENT

The question of moral values and business values may occasionally come across as a dichotomy, especially when the role of social values such as commitment, traditions and loyalty is concerned. The recent economic recession worldwide has prompted Big Business in India to retrench, cut costs, economize on operations, production, marketing and other strategic areas of their daily activities. But there have been instances where probationers given the pink slip were again brought back home, so to say.

This is perhaps a truly Indian phenomenon that has been also somewhat motivated by external political pressures. But this event is not to be identified with the somewhat out-of-vogue concept of Asian Values. The issue of Industrial Relations as sustained (hypothetically) by the arrangement of trust and cooperation in business is also perhaps a function of traditional Indian family values that happen to rely much more on loyalty and feudal ascriptions rather than the rational-legal structure of legitimacy and authority (Coleman 1988b).

CHANGE AS RESOURCE

Organizational change can be perceived as an industrial relational resource that can be utilized by different stakeholders to add value to their concerned industries. It is not always quite easy to address change in organizations, as multiple players find it more often than not difficult to cope with transformations and transitions. Organizational development, evolution and health depend upon targeting moving goals that are continuously in a state of flux.

But how really to use change as an organizational resource? Changes can take place in terms of qualities of output, levels of production, modernizing technologies, innovative methodologies, deschooled pedagogics and radically different marketing strategies. Such changes vis-à-vis organizations can even be studied in the context of the Guest-Host discourse where changes are not perceived as ghosts of spatio-temporal realities but rather as guests in the context of host organizations.

So change can also be sustained as a resource in the context of organizational change and metamorphosis. Whenever changes occur, there are sweeping as well as drastic effects on the levels of motivation, business strategies, styles of leadership performance, marketing techniques, economies of scale, interpersonal relationships, priority areas and preferential values. It is imperative that this phenomenon of change should be managed by professionals to yield better results and add enhanced value to the concerned organizations (Coleman 1990).

CULTURE AS CAPITAL

Culture is what we use while civilization is what we are. If we are to understand conflicts, stress and negotiations in business in a somewhat new light then we also have to appreciate the role of culture in the politics of everyday life of organizations where individuals engage themselves in pursuing different forms of economic activities.

Culture as capital can contribute effectively to the body corporate by defining the various role performances of the multiple stakeholders concerned in industry. Both the management and the workers can experiment successfully with different types of cultural modes relevant to their industry.

Senior business leaders in India occasionally make it a point to organize brainstorming sessions where even junior managers, worker representatives and Trade Union leaders can voice their own ideas about better productivity, new R&D, innovative marketing, revolutionary designs and improved economy of scale.

So it appears that both choices and voices have to be entrenched in the domain of better business sense boosted by motivation, inspiration, trust and cooperation. The more broadbased this industrial dialogue happens to be, the better would be the chances to experiment in a more creative manner with the changes that lead to overall better management of business organizations.

MANAGING CHANGE

The management of change is a critical discourse. It takes place at the levels of perception, motivation, attitude and leadership. How best to motivate both the management and the workers to coordinate business activities under a different regime of change is often a fascinating study that can lead to exciting new insights related to the organic realities of organizations. How people try to cope with stress and strain, conquer their anxieties and worries, battle with their learnt values against new values and finally emerge as either winners or else losers is a crucial exercise that impinges upon the working of processes, products and arrangement of realities both within and outside organizations.

Change Management is basically a function of strategized cultures pitted against fractured realities. The ways in which the owners, managers and workers perceive reality / realities may be radically different from one another. Their perceptions are conditioned by their Culture Root Paradigms that constitute the overarching rhetoric of change of their organizations. Change can both create and destroy.

So Industrial Relations as a dynamic of Business Organizations can also serve as a metaphor of change against the overall backdrop of ethical applications in business. How objectively to wield any given technology, how to cohere and conjoin angularities in attitudes, how to add to the existing stock of Social Capital by sustaining working relationships in business etc can arguably constitute the first steps towards building what social scientists and field practitioners engaged in the Development Sector tend to address as Multi-Stakeholder Dialogues.

MULTI-STAKEHOLDER DIALOGUES

Such a dialogic mode of interaction involving multiple actors (and their roles) as well as different stakeholders (with their own typical interest/s in the organization concerned) is not always easy to institutionalize as a new credo of organizational reality. Tripartite talks between the Government, Management and labor may be cited here as a rudimentary example of such multi-level, multi-faceted and multi-functional dialogues. But Labor Laws and social welfare legislation apart, these dialogues are essential to understand in consensus the aims, aspirations and both long- and short-term business strategies of organizations.

One of the basic objectives of multi-sectoral stakeholder dialogues is to move away from the merely welfarist, altruistic and pluralistic orientations of organizations to a given mode of multiculturalism that has to be learnt, lived with and assiduously practised in order to transcend everyday realities to an aura of a changed way of business life. Post-postmodern societies have to desperately try and learn the post-global manner of existence where almost nothing is permanent, so to say. Markets change and clientele change while entire economies go through phases of radicalization that tend to impart new meanings to business strategies and ethical applications.

So the entire gamut of signifiers and signifieds also change and cater to further transitions in business organizations stylized and dictated by the polyphony of voices. These voices are supported by choices of change, regime of discourse and strategies of organizational development. The plethora of voices is an indicator of change in terms of both process and progress, although these are rather value-loaded expressions. So the more vibrant dialogues become the more adequate is their scope to include. Because if modern business today happens to stress increasingly upon Sustainable Development and Inclusive Growth, then it also becomes a necessary commitment to emphasize more on the broadbased nature of quality and multiple dialogues that encompass the small narratives of power and authority.

ETHICAL BUSINESS APPLICATIONS

The combination of business sense with ethical sense is a utilitarian, altruistic as well as profiteering strategy that is difficult to follow conscientiously in the real world. Individuals are not always driven by ethical aspirations. It is a given fact of life that we generally follow the predatory instincts of our personal profit motives. The challenge is to inculcate the best possible fit between profits and ethics, immediate gains and strategic alliances, present temptations and future goodwill. A modicum of balance has to be struck in this context so that the different types of extraneous and internal variables that tend to influence such a process of decision / policy-making can be balanced in an almost rational manner.

Our ethical selves may not always be our instinctive beings. It is a metaphysical question of existence versus sustenance, learnt values versus inherent proclivities and cost-benefit analyses between the self-satisfying self and the social satisfying other.

When such conflicts between the otherness of the other and the openness of the self tend to be reconciled in the context of specific industry and general society, then the

other uncomfortable questions regarding globalized dichotomies, the Digital Divide and the inchoateness of the self versus the nascent sense of otherness emerge.

BUSINESS SENSE

So it would appear that good or bad business sense impinges more upon the multiplicity of dialogues rather than decisions taken in isolation. So the analyses with regard to processes and progress necessarily indicate whether business decisions and / or solutions would be sustainable in the long or short run. An examination of perspective is important to both assess and understand the criticality of business sense in the context of improved Industrial Relations.

So how does one ensure better relations in business while at the same moment trying to make higher profits? This decision can only be made after a Knowledge Attitude Perception study is undertaken to evaluate the comparative benefits / estimates between better business relations and higher profits. Ethical applications in business activities should also be actively considered in this connection.

SOCIABILITY DISCOURSE

So finally we are led to the direction of the sociability of business i.e. how social is business and how widespread and traumatic / therapeutic are the remedial effects of value applications to any given industry. Are workers now being consulted, are their priorities and preferences being listened to, are they more confident in the management, bolstered by the thought that retrenchment and lay-off would not be enforced until absolutely imperative? Power plays become operational at this juncture when not only the social and cultural aspects of business but also the political and economic facets of the industry have to be accounted for to study the art of resolution of conflicts at the workplace.

CONFLICT RESOLUTION

Conflicts of interest that arise from clash of values, attitudes, perceptions, orientations and values are occasionally constructs of different cultures. The manner in which actors engage in conflicts and lock horns with each other over issues of preferences and priorities often emerge from skewed realities where the concerned parties are located at different levels and on different levels of cultural ensemble and trappings of power.

Because conflicts primarily begin at the level of knowledge where the mind is constantly busy weighing different options. The manner in which individuals approach conflicts is also rather culture specific. The issue of Industrial Relations can be better understood if the fragmented concerns of conflict are better appreciated. Conflicts at the higher echelons of power are more about abstract / intangible realities such as power, authority, prestige, esteem, influence and access to the repository of high-end corporate values.

INSIGHTS / ENIGMAS

The insights dwelled upon in the course of this paper and the enigmas studied tend to open up an entire new discourse of possibilities and politics that correlate Business Sense, Corporate Social Responsibility, Social Capital and Ethical Applications.

The more intricate and intrinsic happens to be the question of Industrial Relations, the more complicated becomes the entire debate of Social Capital. Because the specifics of trust, value and cooperation predicated by the realities of corporate networking and social embeddedness are inherently highlighted in the context of better performance, enhanced interactions and complex commitments of the industry to the market, clientele, quality, pricing and Corporate Social Responsibility.

CONCLUSION

While concluding this paper it is important to retain the lessons that were learnt and the best practices identified during the theoretical discourse of drafting our original argument about Business Sense vis-à-vis Social Capital and Rational Choice theory.

It lies in the rational interest of the concerned stakeholders to cooperate among themselves, make collective decisions and approach both the present and the future in a consolidated manner. This can be a viable way in which to sustain organizations in the face of the threats triggered by Globalization. But these threats can also be translated into potential opportunities.

The Market, Civil Society and State happen to interact in a dynamic manner that also tends to convert Weaknesses into Strengths in a post-globalized world. But the mode of inclusion of Social Capital theory within the ambit of the discourse of Industrial Relations is a new benchmark that may lead to interesting new research in this area and collate new theories in the light of new facts and new possibilities.

ACKNOWLEDGMENTS

The author wishes to thank his colleagues at the Danish Institute of Rural Research and Development (IFUL) under the University of Southern Denmark, Esbjerg where he was invited as a Guest Professor in 2007 for their insights into Social Capital that originally inspired the first draft of this paper. The usual disclaimer applies.

SUGGESTED READINGS

Prasenjit Maiti and Gunnar Lind Haase Svendsen *et al* (eds), *Social Capital*, Vols. 1 and 2 (New Delhi: Atlantic, 2008).

Prasenjit Maiti, *Development Ethics* (New Delhi: Concept, 2008).

ELECTRONIC RESOURCE

Social Capital Gateway (edited by Fabio Sabatini)

URL <<http://www.socialcapitalgateway.org/>>

REFERENCES

Bjørnskov, C. (2004), 'The economic use of social capital: the income relation', in M. Paldam, and G.T. Svendsen (eds.), *Trust, Social Capital and Economic Growth: An International Comparison*, Cheltenham, UK: Edward Elgar, Ch. 7.

Beugelsdijk, J.A. (2004) "Bridging and bonding social capital: Which type is good for growth?" In Arts, W. Hagenaars, J. & Halman, L. (eds), *The Cultural Diversity of European Unity. Findings, Explanations and Reflections from the European Values Study*, Brill European Values Studies, EVS 6. Koninklijke Brill N.V, Leiden, pp. 147-185.

Boix, C. and D.N. Posner (1998), 'Social capital: explaining its origins and effects on government performance', *British Journal of Political Science*, 28 (4), 686–93.

Bourdieu, P. (1979) 'Le capital social' [Social capital], *Actes de la recherche en sciences sociales*, 31, 2-3.

Bourdieu, P. (1986), 'The forms of capital', in J.G. Richardson (ed.) *Handbook of Theory and Research for the Sociology of Education*, New York, Westport, CT and London: Greenwood Press, pp. 241–58.

Burt, R.S. (2000). "The Network Structure of Social Capital". *Research in Organisational Behaviour*, Vol 22, pp. 1-83.

Burt, R.S. (2007) *Brokerage and Closure: An Introduction to Social Capital*. Oxford University Press, Oxford. Forthcoming.

Chloupkova, J., G.L.H. Svendsen and G.T. Svendsen (2003), 'Building and destroying social capital: The case of cooperative movements in Denmark and Poland', *Agriculture and Human Values*, 20 (3), 241-252.

Coleman, J.S. (1984) "Introducing social structure into economic analysis". *The American Economic Review* 74 (2), 84-88.

Coleman, J.S. (1988a), 'Social capital in the creation of human capital', *American Journal of Sociology*, 94, 95–121.

Coleman, J.S. (1988b), 'The creation and destruction of social capital: implications for the law', *Journal of Law, Ethics & Public Policy*, 3, 375–404.

Coleman, J.S. (1990), *Foundations of Social Theory*, Cambridge, MA: Harvard University Press.

RESIDENTIAL ADDRESS

Dr Prasenjit Maiti
CF 397, First Floor
Salt Lake City, Sector I
Kolkata 700 064, WB

Telephone (033) 2334 9161
Mobile 0 98302 43533
E-Mail <prasenjit.maiti@gmail.com>