

# **Gordon Institute of Business Science**

University of Pretoria

## **Social capital and organisational competitiveness in the Information and Communications Technology sector: a validation of the Opportunity-Motivation- Ability model**

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration

9 November 2015

## **Abstract**

This research sought to understand whether external social capital creation with external stakeholders was indeed a valid management tool that could contribute to increasing an organisation's competitiveness under these circumstances.

It also aimed to validate the Opportunity-Motivation-Ability (OMA) model for the creation of social capital in the Information and Communications Technology industry and to provide a framework to guide organisations in their endeavours to ensure optimal social capital creation. The necessary leadership qualities that are associated with social capital creation were also explored. This research adds to the current literature on social capital and organisational competitiveness.

This research was conducted using a qualitative and explanatory research methodology and collected data through semi-structured interviews with eleven C-level executives across five ICT organisations.

Key findings that contribute to the field of social capital and organisational competitiveness include factors such as informational transfer, influence on external stakeholders and differentiation as part of an organisation's strategy. These are shown to contribute positively to an organisation's competitiveness. The OMA was confirmed as a valid model for the ICT industry and importantly all three elements of the model need to present for the benefits of social capital to be realised. Humility and integrity were overwhelmingly identified as being the key leadership qualities associated with social capital creation.

## **Keywords**

External social capital, Information and Communication Technologies, leadership qualities, organisational competitiveness, stakeholders

## **Declaration**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Signed:

Craig Stewart

09 November 2015

## TABLE OF CONTENTS

Abstract .....	II
Keywords.....	II
Declaration .....	III
1. Chapter 1: Introduction to the Research Problem.....	1
1.1. Background.....	1
1.2. Research problem.....	2
1.3. Purpose of the research .....	4
1.4. Scope of the research .....	5
1.5. Significance of the research .....	6
1.6. Chapter outline.....	6
2. Chapter 2: Literature Review.....	7
2.1. Introducing social capital .....	7
2.2. Social capital and competitiveness.....	8
2.3. Negative effects of social capital .....	12
2.4. The substance of social capital .....	12
2.5. The importance of relationships in business.....	14
2.6. Social capital and stakeholder theory .....	15
2.7. Organisational advantage in the ICT industry .....	16
2.8. The OMA model .....	18
2.9. External social capital creation and leadership.....	21
2.10. Conclusion.....	22
3. Chapter 3: Research Questions .....	25
3.1. Introduction .....	25
3.2. Aims and objectives .....	25

3.3.	Research questions .....	26
3.4.	Conclusion .....	26
4.	Chapter 4: Research Methodology .....	27
4.1.	Introduction .....	27
4.2.	Approach to the research .....	27
4.3.	Semi-structured interview technique.....	28
4.4.	Population and sampling .....	29
4.4.1.	Population .....	29
4.4.2.	Sample unit .....	30
4.4.3.	Sampling method and size.....	30
4.5.	Research instrument .....	30
4.6.	Data gathering process .....	31
4.7.	Data analysis and interpretation .....	32
4.8.	Research methodology limitations.....	32
4.9.	Conclusion .....	33
5.	Chapter 5: Results .....	35
5.1.	Introduction .....	35
5.2.	Overview of the sample.....	35
5.3.	External Capital and organisational competitiveness.....	36
5.4.	The validation of the OMA model for enabling organisational competitiveness 42	
5.5.	Leadership and social capital .....	53
5.6.	Reliability and validity of the results.....	57
5.7.	Conclusion .....	58
6.	Chapter 6: Discussion of Results.....	59
6.1.	Introduction .....	59

6.2.	Research Question 1: How does external social capital influence organisational competitiveness? .....	60
6.2.1.	The benefits of information flows to organisational competitiveness .....	60
6.2.2.	The benefits of influence to organisational competitiveness.....	62
6.2.3.	The benefit of solidarity to organisational competitiveness.....	64
6.2.4.	Conclusive findings for Research Question 1.....	65
6.3.	Research Question 2: Does Kwon and Adler’s (2002) Opportunity-Motivation-Ability (OMA) model hold for enabling organisational competitiveness from an external social capital perspective? .....	66
6.3.1.	Opportunity.....	67
6.3.2.	Motivation .....	68
6.3.3.	Ability.....	71
6.3.4.	A new concept to complement the OMA model .....	72
6.3.5.	Conclusive findings for Research Question 2.....	73
6.4.	Research Question 3: What are the necessary leadership qualities required in order to build external social capital? .....	75
6.4.1.	Conclusive findings for Research Question 3.....	76
6.5.	A contribution to the ‘OMA’ model: social capital creation in the ICT industry	77
6.6.	Conclusion .....	78
7.	Chapter 7: Conclusion.....	83
7.1.	Introduction .....	83
7.2.	Summary of the research objectives .....	83
7.3.	Principle findings.....	84
7.4.	Implications for management practice .....	85
7.5.	Limitations of the research .....	86
7.6.	Suggestions for future research .....	87
7.7.	Conclusion .....	88
8.	References.....	89

9.	Appendix 1: Research Instrument .....	96
10.	Appendix 2: The coded terms used in Atlas.Ti in the “OMA” Analysis .....	97
11.	Appendix 3: The results analysis framework .....	98

## LIST OF FIGURES AND TABLES

Figure 1: Adler and Kwon's (2002) Conceptual Model of Social Capital Outlining the OMA Model .....	20
Table 1: Overview of the research sample .....	36
Table 2: Factors that influence organisational competitiveness as a result of external social capital.....	42
Table 3: Factors that influence the opportunity construct.....	45
Table 4: Factors that influence the motivation construct .....	50
Table 5: Factors that influence the ability construct .....	52
Table 6: Leadership qualities required in order to build external social capital.....	56
Figure 2: A model for social capital creation in the ICT industry.....	78

## CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

### 1.1. Background

Social capital has emerged in the past two decades as one of the most important concepts in social science (Fang, Duffy & Shaw, 2011). Within business management literature, the contemporary view is that social capital is a tool that can be used to create a competitive advantage for an organisation (Acquaah, Amoako-Gyampah, Gray & Nyathi, 2014; Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998; Wu, 2008). However Acquaah et al., (2014), Beugelsdijk and van Schaik, (2005a; 2005b) and Payne, Moore, Griffis and Autry (2011) have argued that, despite the importance of social capital, ambiguity and lack of agreement exists on the measurement, outcomes and how it is derived based on its complex and multi-dimensional nature.

Social capital is the result of people actively building relationships. As a result of this, people generate “economic value” for organisations when they engage and build relationships in a cooperate manner with the objective of creating mutual value (Freeman, Wicks & Parmar, 2004, p. 364). From a management practice perspective, organisations commonly acknowledge that value can be derived from forming strong relationships with stakeholders. However, it remains difficult to translate the value of business relationships into a tangible asset (social capital in this case) and to measure its impact on organisational competitiveness (Ford & McDowell, 1999).

Organisational competitiveness and social capital are related based on social capital being associated with more familiar types of capital, such as physical, human and financial capital. It is often used, however, in a metaphorical sense (Adler & Kwon, 2002; Doh & McNeely, 2012). The ability of organisations to implement a strategy leveraging these forms of capital, which competitors are not able to imitate, will result in a competitive advantage accruing to an organisation (Barney, 1991).

## 1.2. Research problem

The relationship between social capital and competitiveness is not fully understood and it remains a question that research seeks to answer (Barroso-Castro, del Mar Villegas-Periñan & Casillas-Bueno, 2015). There are a number of reasons this research seeks explore how organisations can increase competitiveness. Firstly, competitiveness and the relevance of existing business models in the digital age is challenging based on the fact that technology continues to disrupt existing business models at a far greater speed than ever before (Schmidt & Rosenberg, 2014; Wood, Hewlin, & Lah, 2013).

According to Schmidt and Rosenberg (2014), there are three main reasons for this disruption. Firstly, the internet has made information free, bountiful and ubiquitous. Secondly, the explosion of mobile devices has completely changed the connectedness between consumers and organisations. Finally, cloud computing has resulted in the average organisation having the ability to obtain access to a wide variety of business applications at a relatively low cost and thus the barriers to entry for new market entrants are lower than they have ever been.

Operating as a business in this disruptive digital age thus has its challenges and maintaining competitiveness is becoming a far greater necessity for businesses. This research report contends that the relationship between social capital and organisational competitiveness is a growing focus in the Information and Communications Technology (ICT) industry. A need exists for understanding the role of business networks in enhancing an organisation's competitive advantage. Social capital may indeed provide that much needed competitive edge, however, the existing empirical studies that may explain this relationship remain largely inconclusive (Wu, 2008).

The research also seeks to look at ways of increasing competitiveness based on Dougherty's (2014) assertion that business relationships that foster trust are the enablers of a successful business. With this in mind, this research has investigated the relationships between ICT organisations and their external stakeholders – these being customers and suppliers or partners.

According to Wood, Hewlin and Lah (2013), the operating model that exists between the organisations that supply business technology and the customers who buy it is currently being revolutionised. In the traditional world of ICT, business-to-business (B2B) relationships were designed to focus on the buying and selling products and/or services.

The new business-for-business (B4B) model is about delivering business outcomes tailored to meet the customer's actual needs or goals. Business outcomes for customers are best understood as end goals that customers want to achieve with the use of technology. These include but are not limited to cost savings, speed to market and improved customer experience.

Customer spending habits are also being revolutionised by disruptive technology. There is a shift from in-store to online and thus technology suppliers are not only expected to continue providing excellent products and services, but also to provide value by facilitating these customer-centric outcomes (Wood et al., 2013).

The disruption to existing business models is not limited to the ICT industry. The proliferation of software (and software as a service), cloud computing and increased connectivity through multiple channels are all resulting in substantial changes to existing business models across all industries (Schmidt & Rosenberg, 2014; Wood et al., 2013).

The role of people and relationships in B2B engagements of the future is under serious scrutiny as industries become more technology focused in terms of product and service sales (Wood et al., 2013). This poses the question of whether social capital is required in the new B4B operating environment for ICT organisations (Acquaah et al., 2014; Kwon & Adler, 2014; Nahapiet & Ghoshal, 1998; Wu, 2008).

While this research is focused on social capital and organisational competitiveness Parmar et al. (2010) believed that social capital may also add to stakeholder theory based on a better understanding of the nature of relationships between organisations and stakeholders. From a stakeholder perspective, business can be understood as a network of relationships among individuals that are vested in the activities performed by the business. The underlying premise of stakeholder theory is that customers, suppliers, employees, financiers, communities and managers all interact to jointly create and trade value (Freeman, 2010; Parmar et al., 2010).

Truly understanding one's business requires an understanding of the makeup and dynamic nature of these relationships (Parmar et al., 2010). Stakeholder theory and social capital are similar based on the fact that they both fall under the scope of management theory. They are also both founded on the premise that business is based on a set of relationships and they are both concerned with the alignment of values and mutual objectives (Parmar et al., 2010).

Social capital provides greater insight into the nature of business relationships, how best they should be managed and how to ensure sustainability from those relationships and ultimately competitiveness (Russo & Perrini, 2010). Chapter 2 will outline in detail how social capital may add value to stakeholder theory (refer to Section 2.6).

From a business management perspective, a framework for engaging with external stakeholders with the intent of creating B4B outcomes could be of great value to senior leaders. Social capital creation could be an effective mechanism to enable ICT organisations to ensure customer outcomes are created through effective business relationships. This will have wide ranging practical applications for sales functions, reputation management and supplier management (Acquaah et al., 2014; Adler & Kwon, 2002).

### **1.3. Purpose of the research**

The purpose of this research is to firstly understand how social capital can enhance the overall competitiveness of an organisation when engaging with customers or suppliers (Wu, 2008). While the importance of relationships in business is well understood, the actual benefits for ICT organisations in particular have not been explored in detail.

One of the objectives of this research is to determine what these specific benefits are and how they are linked to organisational competitiveness (Ford & McDowell, 1999). This research will also seek to understand if there are any other specific benefits to ICT organisations not presented in current literature.

The second purpose of this research is to understand whether the Opportunity-Motivation-Ability (OMA) model proposed by Adler and Kwon as a source of social capital is applicable in the ICT industry (Adler & Kwon, 2002; Kwon & Adler, 2014). Adler and Kwon are important contributors to the social capital debate as outlined in Chapter 2 (see Section 2.8) and their OMA model builds on the contributions of the forefathers of social capital.

This research proposes that the OMA model is a useful tool for understanding the presence or absence of social capital within an organisation (Adler & Kwon, 2002). It further aims to build on the traditional stakeholder view of an organisation and provide a multi-dimensional approach to building social capital as a valuable asset (Freeman,

2010). Parmer et al. (2010) have argued that a more detailed conceptual model is needed for creating as much value as possible while understanding the nature of relationships between firms and stakeholders. It is suggested that organisational behaviour theory, which includes social capital, might be best equipped to answer these issues.

Finally, this research seeks to gain an in-depth understanding of how senior leaders in organisations conceptualise and apply social capital either consciously or subconsciously. In this regard, the key leadership qualities that define leaders who are successful at generating and sustaining social capital with external stakeholders are explored (Kwon & Adler, 2014; Maak, 2007). Social capital creation is argued to be an outcome of strategic leadership in organisations (Hitt & Duane, 2002). This research sets out to investigate the validity of this statement.

#### **1.4. Scope of the research**

The aim of his research seeks to identify the benefits and applicability of external social capital in ICT organisations. The scope of this research is thus limited to ICT companies and their engagement with customers and suppliers as external stakeholders. The participants are limited to C-level executives with at least five years' working experience within the irrespective organisations.

C-level executives are defined in this context as the highest level of leadership within an organisation. The rationale is that at this level, leaders would be strategic and outward facing with a long-term orientation towards stakeholder relationships. The seniority of the participants adds significantly to the value of the overall research and the practical application of the findings.

Specifically, the C-level executives needed to have spent at least eight hours per week engaging with stakeholders. For the purposes of this research, all these individuals would need to be classified as both client and supplier-facing individuals.

## **1.5. Significance of the research**

The significance of the research is three-fold. Firstly, the research aims to add meaningful discourse to the emerging body of knowledge with regards to social capital and its relationship to competitiveness. Secondly, the research seeks to validate Adler and Kwon's (2002) OMA model in practice within the ICT industry. Where applicable, the aim herein is also to add either additional concepts to the OMA model or provide granularity on specific concepts native to the OMA model based on the results as per the scope of this research mentioned above. The third main objective is to identify the leadership qualities that are required in order to create effective external social capital with customers and suppliers.

## **1.6. Chapter outline**

Chapter 1 has outlined the need for research to be conducted on the relationship between social capital and organisational competitiveness in the ICT sector. The chapter has also identified the objectives of this research, which includes gaining an understanding of the benefits of social capital to ICT organisations, determining the validity of Adler and Kwon's (2002) in this context and identifying the necessary leadership qualities required for social capital creation. The scope of the research has also been described and finally the significance of the research has also been outlined.

The following chapter discusses the current literature concerning social capital, organisational competitiveness and the leadership qualities required for the creation and maintenance of social capital. Thereafter, Chapter 3 presents the research questions that have been investigated using the methodology outlined in Chapter 4.

The results of this research are presented in Chapter 5 and these are then compared and contrasted with the literature review in Chapter 6. Chapter 7 presents the conclusions that have been drawn and provides recommendations for future research.

## CHAPTER 2: LITERATURE REVIEW

### 2.1. Introducing social capital

Social capital is a maturing field of research and with that maturity has come a suggestion that it is a successful field of research with the vast majority of literature spread across a range of management disciplines and industries (Kwon & Adler, 2014). The concept of social capital is not new and borne out of two major disciplines being social science and economics (Coleman, 1988; Kwon & Adler, 2014, p. 420). It has a rich history, dating back as far as 1867 when Karl Marx was one of the first to use the term while discussing a collection of individual capitals that “formed a fund for further production” (Farr, 2004, p. 23).

Social capital was founded on the psychology of compassion and empathy for others and was community-focused, which provided a foundation for understanding how trust, cooperation and group action was formed. In this context, social capital was viewed as a tool to aid the productivity of individuals and groups in civil society. It was not however regarded from an economic perspective (Farr, 2004; Nahapiet & Ghoshal, 1998).

The political commentators of the 19<sup>th</sup> century viewed social capital through the social sciences lens, while contemporary research views it through a resource-based lens (Adler & Kwon, 2002; Farr, 2004). This shift brings social capital into the field of competitiveness from an economic perspective and thus forms the basis for this research (Farr, 2004).

The resource-based view seeks to understand whether social capital can be used to create organisational value (Acquaah et al., 2014; Adler & Kwon, 2002; Wu, 2008). Despite its importance, there is ambiguity and a lack of agreement on the measurement, outcomes and how social capital is derived from relationships because of its complex and multi-dimensional nature (Acquaah et al., 2014; Beugelsdijk & van Schaik, 2005a; Beugelsdijk & van Schaik, 2005b; Payne et al., 2011). For the purpose of this research, the resource-based view of social capital will be used, which identifies with the concept in the context of potential resources available to the organisation.

## 2.2. Social capital and competitiveness

Social capital has been widely applied to various fields of social phenomena. Within business management literature, the contemporary view is that it is a tool for organisations to leverage competitive advantage (Acquaah et al., 2014; Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998; Wu, 2008). This is based on the finding that the exchange of goods, services, and resources and are socially structured and are intentionally managed in order to achieve the organisation's objectives (Baker, 1990). The significance is that this demonstrates an external, market-related view of the organisation and how the market influences organisational behaviour (Baker, 1990).

Given the wide-ranging applications for social capital, definitions vary accordingly. The resource-based view is defined as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (Nahapiet & Ghoshal, 1998, p. 243). Adler and Kwon (2002) added that "goodwill is the substance of social capital" and contended that such goodwill can be transformed into value through the flow of "information, influence and solidarity" (p. 18).

A third definition refers to its resultant action:

Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: they all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure. (Coleman James, 1990, p. 302)

From an organisational perspective, social capital is also divided into internal and external factors. Internal social capital is defined as the "features of social organisation such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit" (Putnam, 1995, p. 67). Adler and Kwon (2002) referred to external social capital as a bridge and "a resource that is inherent in the social network tying a focal actor to other actors" (p. 22; 19). External social capital is also defined as "the aggregate of the actual or potential resources, which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition" (Bourdieu, 2011, p. 248).

Both internal and external social capital are important because they are complementary and it has been found that internal social capital can intensify the benefits of external social capital (Barroso-Castro et al., 2015). While “internal and external views of social capital are not mutually exclusive” forms the focus of this research is on external social capital and its relationship to organisational competitiveness (Adler & Kwon, 2002, p. 21).

The main function of external social capital is that of linking the organisation to the external environment (Barroso-Castro et al., 2015). Organisations typically establish external networks with various stakeholders. Examples of these connections include suppliers, customers, strategic alliances and joint ventures, among others. Establishing external social capital enables organisations to benefit from information flows in order to “scan their environment” for trends that could influence their strategic direction (Cuevas-Rodríguez, Cabello-Medina, & Carmona-Lavado, 2014). It is thus an effective mechanism for sharing and assimilating complex knowledge (Pérez-Luño, Medina, Lavado, & Rodríguez, 2011; Phelps, 2010).

The relationship between social capital and organisational competitiveness is a growing focus and it is based on a need for understanding the role of business networks in enhancing an organisation’s competitive advantage (Acquaah, 2007; Wu, 2008). An organisation that is in a position to establish structured and effective knowledge-sharing routines with stakeholders in its network is expected to have a competitive advantage over those organisations without access to knowledge within a strategic network (Dyer & Hatch, 2006).

Social capital developed through senior managerial social networks and connections with external stakeholders is a significant indicator of an organisation’s competitive advantage (Acquaah, 2007; Burt, 1997; Peng & Luo, 2000). In addition to this, building social capital with customers may result in increased sales and stronger brand loyalty. In terms of suppliers, it may result in improved service and inputs into the organisation (Park & Luo, 2001; Peng & Luo, 2000). It has been found that the social capital created by company directors has a positive impact on overall organisational value (Kim, 2007).

Boards with a high number of external connections will have faster access to important resources, including information that may improve financial competitiveness (Barroso-Castro et al., 2015). In part, external social capital may also “explain the differential success of individuals and firms in their competitive rivalry” (Adler & Kwon, 2002, p. 19).

Wu (2008) found that information sharing was the link between the components that make up social capital and an organisation's competitiveness.

Organisations should thus not only focus on building up the substance of social capital but also on ensuring that "information sharing between them takes place effectively and smoothly to translate the effects of social capital into concrete competitive improvement" (Wu, 2008, p. 141). In the context of entrepreneurial activities, it has also been found that networking structures and social relations are important factors when it comes to starting a firm (Greve & Salaff, 2003).

It is perhaps the intangible and unstructured nature of social capital that allows for it to be largely unaccounted for in formal reporting mechanisms in an organisation. However, Adler and Kwon (2002) argued that social capital is similar to other forms of capital that organisations leverage to create value. They added that this assertion is more metaphorical in nature and called for greater clarity on social determiners as a form of capital (Demartini, 2015).

Adler and Kwon (2002) have shown that social capital is comparable to other forms of capital for three main reasons. Firstly, the social component can be considered as an asset into which other resources can be invested with the expectation of future benefit. Secondly, social capital can be used for different purposes, such as the exchange of information, or it can be changed into another form of capital. An example of this would be information that could be exchanged for a fee, which would then become financial capital. Finally, as with "physical and human capital but unlike financial capital, social capital needs maintenance" (Adler & Kwon, 2002, p. 22). Nahapiet and Ghoshal (1998) supported this by arguing that social capital is owned by both of the stakeholders or actors in the relationship and thus requires the engagement and support of both parties.

Given that this research supports a resource-based view, an organisation's "competitive advantage is achieved by controlling the endowment of a rare, valuable, non-substitutable and inimitable resources and capabilities" (Wu, 2008, p. 125). However, organisations are finding themselves in a situation whereby their existing resources do not enable them to be competitive enough. In addition to this, ICT organisations in particular are finding that customers are demanding that their suppliers deliver business outcomes as opposed to simply providing products or services (Wood et al., 2013). Customers are thus looking to their suppliers to move away from B2B engagement model that places that majority of the risk on the customer. The new B4B model is about

delivering business outcomes tailored to meet the customer's actual business goals or objectives. Customer-centric business outcomes are best understood as end goals that customers want to achieve with the use of technology. These include but are not limited to cost savings, speed to market and improved customer experience (Wood et al., 2013).

Customers' spending habits are changing, which means technology suppliers are expected to provide not only excellent products and services, but also value through facilitating customer-centric outcomes (Wood et al., 2013). In order to overcome this challenge, organisations are being forced to create additional capabilities through partnerships with other organisations (stakeholders) and as well as competitors. From a resource dependence perspective, social capital should be considered as important to leveraging organisational competitiveness as other forms of (Kim, 2007; Wu, 2008).

There are three core benefits to the creation of external social capital that impacts organisational competitiveness. The first of these is access to information and knowledge (Acquaah et al., 2014; Adler & Kwon, 2002). Social capital allows for knowledge integration by removing any trust issues that may exist between stakeholders and helps to develop shared goals between the different stakeholders (Karahanna & Preston, 2013). Access to information is further enhanced by the timeliness, quality and relevance of the information. Individuals or organisations are then in a better position to exploit opportunities as a result of this information (Adler & Kwon, 2002; Maak, 2007).

The second is a set of benefits that Adler and Kwon (2002) categorised as "power benefits" and explained them as key to allowing actors to "achieve their goals" (p. 29). These include influence, organisational reputation management and credentials (Fang et al., 2011).

The third has been classified as solidarity benefits. "Strong social norms and beliefs, associated with a high degree of closure of the social network, encourage compliance with local rules and customs and reduce the need for formal controls" (Adler & Kwon, 2002, p. 29). Additional benefits as a result of the above three core benefits include talent recruitment and social development (Acquaah et al., 2014).

### **2.3. Negative effects of social capital**

While there is strong evidence that focuses on the benefits of external social capital creation, there are however negative effects. As with any investment, building social capital requires a diversion of resources in order to create it and there are instances whereby it may not return any benefits to an organisation or individual (Adler & Kwon, 2002). The concept of opportunity cost, otherwise known as the cost of choosing to forego one investment over another, firmly applies when it comes to investing the necessary resources in building social capital. An example of this is that extensive resources may go into building strong, trusting relationships with a select few at the expense of creating new relationships with diverse groups (Gargiulo & Benassi, 1999).

The obligations and expectations that come with maintaining strong relationships may come at the expense of an individual or organisation building new and greater economic relationships. The networks that organisations create may also result in problems such as a redundancy of the information flow (Koka & Prescott, 2002).

Over-embeddedness in a network can also result in a decrease in the flow of new information or ideas into a group or an organisation that may result in parochialism and inertia (Gargiulo & Benassi, 1999). Furthermore, it can also lead to a situation of organisational blindness or myopia due to the fact that organisations end up ignoring competitors that may sit outside of their immediate network (Inkpen & Tsang, 2005).

### **2.4. The substance of social capital**

The substance of social capital is created through three dimensions: structural social capital, relational social capital and cognitive social capital (Nahapiet & Ghoshal, 1998). Different benefits accrue to organisations based on each dimension (Acquaah et al., 2014; Inkpen & Tsang, 2005).

While there is overlap in some of the components of social capital, the benefits are best understood by viewing them through these dimensions. This allows for a closer examination of the detail involved in building social capital (Acquaah et al., 2014). In this context, social capital is regarded as “both the different network structures that facilitate (or impede) access to social resources and the nature of the social resources embedded in the network” (Seibert, Kraimer, & Liden, 2001, p. 221).

Structural social capital refers to the configuration of social networking relationships that are created through links between people and organisations. It includes the stakeholders with which an organisation or individual is able to connect, how they connect and how often they share resources and information through these connections (Acquaah et al., 2014; Nahapiet & Ghoshal, 1998).

It can also be referred to as the “opportunities provided by the network structure of those relations” (Kwon & Adler, 2014, p. 413). Structural social capital is understood in terms of the various positions individuals and organisations occupy within a network, which influences resource flows and impacts the quantity and nature of the resource flows to an individual or organisation (Burt, 1997). This is relevant in that it refers directly to the importance of the makeup or construct of an individual’s or organisation’s network and the subsequent benefits or risks that could be generated (Adler & Kwon, 2002; Burt, 1997).

The relational dimension of social capital refers to the emotional status within a network typically developed through a number of engagements over time. The relational elements of social capital ensure the facilitation and the exchange of resources between an organisation’s actors (Nahapiet & Ghoshal, 1998). Relational social capital attributes include “trust, trustworthiness, respect and friendship” (Acquaah et al., 2014, p. 16).

The result of optimal relational social capital is a shift from an opportunistic mindset in a relationship to one of trust and co-operative behaviour (Uzzi, 1997). Relational trust refers to the belief that an individual or organisation will act beneficially because there is genuine care in the relationship, which in turn improves the flow of information in the relationship (Jonsson & Lindbergh, 2013).

Maak (2007) argued that the relational dimension is “the norms and values inherent” to the structure of the network, the levels of trust and, importantly, the obligations between the organisations network and found furthermore that relational interaction is a “precondition for both the emergence and the quality of social capital” (p. 334).

Nahapiet and Ghoshal (1998) referred to the cognitive dimension of social capital as the “shared representations” of the relationship and described it as the nature of the connections within the network (p. 244). Maak (2007) supported this by commenting that cognitive social capital is how individuals “think about their relationship, the language and the stories that they share and what is commonly perceived as desirable” (p. 334).

These shared systems of meaning and language allow individuals and organisations to understand each other's thinking processes, which enables the exchange of information, learning and knowledge creation (Inkpen & Tsang, 2005). Shared systems of meaning, representations and interpretations are in fact part of social capital based on individuals or organisations having to invest in learning and understanding how stakeholders within their network communicate and interact. It is this time and effort (investment) that constitutes the creation of social capital, and by definition is thus an asset to that individual or organisation. Such an asset can be used to access the benefits of social capital if required (Jonsson & Lindbergh, 2013).

Maak (2007) also proposed that if business leaders and stakeholders think alike, accessing social capital for the organisation's benefit may be easier. However, a challenge for leadership is the complexity involved from a cognitive perspective inherent in an organisation's stakeholder network.

## **2.5. The importance of relationships in business**

Relationships with both customers and suppliers that involve a commitment of resources are critical for organisational sustainability and survival (Ford & McDowell, 1999). An organisation can achieve a competitive advantage through a structured network of business relationships (Dyer & Hatch, 2006).

Business relationships with stakeholders are by their nature complex due to multiple motivations, strategies, and problems. Organisations need to view these relationships as "both major resources and a source of problems for a company" (Ford & McDowell, 1999, p. 442). Through the creation of business relationships, an organisation is able to obtain and keep its social license to operate. Elements that make up a social license include regulatory compliance and approvals, reputation, acceptance by customers and cultural groups in diverse markets with strong environmental, social, and governance priorities (Acquaah et al., 2014).

## 2.6. Social capital and stakeholder theory

Stakeholders include any organisation or individual who can influence or be influenced, by the achievement of the organisation's objectives (Freeman, 2010). Relationships with stakeholders are integral to social capital creation (Kwon & Adler, 2014; Maak, 2007; Nahapiet & Ghoshal, 1998). The stakeholder framework is appropriate for the analysis and understanding of the strategic and normative challenges that organisations face, how organisations could create the conditions for the development of competitive resources, and how the stakeholder network itself could be the platform for long-term competitive advantage (Maak, 2007; Parmar et al., 2010). Healthy stakeholder relations also enable organisations to generate excellent financial competitiveness and to sustain competitive advantage as well as to help poorly performing organisations recover faster than they would otherwise be able to recover (Choi & Wang, 2009).

Stakeholder theory and social capital both fall under the umbrella of management theory. They are similar in nature because they are founded on the premise that business is based on a set of relationships and they are both concerned with the alignment of values and mutual objectives (Parmar et al., 2010).

While stakeholder theory is accepted as largely being a positive concept, Parmar et al. (2010) argued that there is a need for a more detailed conceptual model. The intention is to create as much value as possible while developing an understanding of the nature of relationships between organisations and stakeholders.

They suggested that organisational behaviour theory might be best equipped to answer these issues, hence social capital forms the focus of this research. The rationale is that while stakeholder theory allows organisations to understand the relevance and legitimacy of their stakeholders, it does not give guidance as to how those relationships should be managed, the nature of those relationships or the sustainability of those relationships (Russo & Perrini, 2010).

Stakeholder networks at their core are about social relationships and by virtue, "social capital dimensions have applicability regardless of the network type" (Inkpen & Tsang, 2005, p. 161). Maak (2007) viewed this as an opportunity as well as a challenge to move from a pure stakeholder view of external relations to establishing a depth and quality to the nature of those relationships and ultimately to create social capital for the organisation.

Parmar et al. (2010) proposed a link between resource dependency theory and stakeholder theory by addressing how organisations should manage their resources to create a competitive advantage. Based on the literature identifying social capital as a potentially valuable resource to an organisation (Adler & Kwon, 2002), external social capital theory could be that detailed conceptual model to explain the creation of value through relationships between organisations and stakeholders (Parmar et al., 2010).

Russo and Perrini (2010, p. 218) supported this assertion by suggesting that “drivers such as networking, innovation, trust, and legitimacy, which are all aspects of social capital” are valuable tools for building sustainable organisations when compared to using stakeholder theory in isolation.

Maak (2007) found that stakeholder theory is valuable in the analysis of the strategic challenges facing organisations. However, he contended that there are still theoretical and practical challenges with regards to managing and evaluating the multiple and often conflicting stakeholder claims as well as good stakeholder relationships being key to organisational viability and business success.

## **2.7. Organisational advantage in the ICT industry**

The benefits of external social capital creation are clear according to Adler (2002), who highlighted information benefits, power benefits and solidarity benefits. The translation of these benefits into organisational value and subsequent advantage, however, is difficult to quantify especially from a pure monetary perspective (Acquaah et al., 2014).

Furthermore, the literature also provides multiple definitions and constructs with reference to the outcome of social capital. These are described by terms such as value creation, competitiveness and organisational advantage (Acquaah et al., 2014; Adler & Kwon, 2002; Maurer, Bartsch, & Ebers, 2011; Wu, 2008). It is with this mind that the various constructs and definitions have been reviewed with the objective of identifying a construct for organisational advantage.

Organisational advantage, value creation and competitiveness are not consistently defined and thus are measured in various ways (Acquaah et al., 2014). Adler and Kwon (2002) found that the ultimate value of social capital creation is contextual to the

organisation; however they did not give a clear description of what that value is in this construct.

Nahapiet and Ghoshal (1998) argued that social capital creation and intellectual capital result in the creation and transfer of knowledge between organisations. This is a core element of organisational advantage, however, they did not give a clear definition of organisational advantage.

There is further substantiated of the fact that social capital and competitiveness are measured in the literature in different ways Wu (2008) measured organisational competitiveness improvement using three subjective items tested through the use of a questionnaire, while Maurer et al. (2011) classified organisational competitiveness outcomes in two ways, namely growth (new orders and change of market share) and innovation competitiveness (new product development and improvement of products).

Maak (2007) did not define the construct of value creation in detail, however he argued that the outcome of building social capital is the “creation of value networks of multiple stakeholders, which enhance social capital and thereby contribute to both a sustainable business and the common good” (p. 330). Value networks have a “strong effect on goals and behaviour” (Lord & Brown, 2001, p. 141).

Acquaah et al. (2014) were more granular in their construct of value creation as a result of external social capital creation, which included transaction cost reduction, sales growth, reputation enhancement, contribute toward employment growth and gain valuable employees, new customer obtainment, sustainability achievement, mitigate effects of poor strategic decisions, increased share value and socioeconomic development.

Given that this research has adopted a resource-based view of the organisation, this perspective focuses on the link between resources and competitive advantage. Central to resource-based views is the position that an organisation with the most valuable and unique resources will attain a competitive advantage. If resources are difficult to replicate and cannot be substituted by competitors, the competitive advantage achieved can be sustained for a longer period of time (Barney, 1991).

For the purposes of this research and based on Wu's (2008) definition of competitiveness, the following definition and understanding of what competitive

advantage will be applied to the social capital creation process. An organisation has a competitive advantage when it is:

“...implementing a value creating strategy not simultaneously being implemented by any current or potential competitors. Sustained competitive advantage occurs when an organisation implements a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other organisations are unable to duplicate the benefits of this strategy.” (Barney, 1991, p. 102)

## **2.8. The OMA model**

Adler and Kwon (2002), Nahapiet and Ghoshal (1998) and Wu (2008) have proposed models for turning social capital into organisational value but what has not been established is whether or not these models apply to the ICT industry. Within this context, research is needed to explain the relationship between social capital, the flow of the resources and the resulting organisational benefits (Inkpen & Tsang, 2005).

One of the reasons for the lack of agreement on whether or not social capital is beneficial to an organisation “could be that social capital merely provides opportunities for resource transfer but implies little about the extent to which resources are actually used” (Maurer et al., 2011, p. 158). The fact that a relationship with an individual or organisation exists does not quantify the extent of social capital creation (Adler & Kwon, 2002; Wu, 2008).

Researchers, including Acquaah et al. (2014), Adler & Kwon (2002; 2014), Nahapiet and Ghoshal (1998), Wu (2008) and Maurer et al. (2011), have proposed models that suggest that in order for a competitive advantage to be gained from social capital, a certain proactive process needs to be followed. Maurer et al. (2011) found that social capital creation is linked to organisational competitiveness through three successive mediating processes of resource transfer, namely mobilisation, assimilation and the use of resources inherent within an organisation’s social network. This model is based on the conceptualisation of social capital as an asset (Adler & Kwon, 2002).

Fang et al. (2011) further supported this approach by separating access to social capital and an outcome (in their case, career success) with an intermediate step of mobilisation of social capital. Access to social capital is therefore not an indicator of success and thus

this research seeks to uncover the models that successful leaders employ to realise the benefits of social capital creation.

Wu (2008) suggested that while the substance of social capital is made up of repeated transactions, network ties and trust, the key mediator is in fact information sharing. This is the link that results in social capital facilitating “competiveness improvement” for an organisation (p. 128). Maak (2007) built on Adler and Kwon’s (2002) existing model to leverage the opportunity, motivation, and ability process of turning social capital into value.

While numerous models have been presented, Adler and Kwon’s OMA model is the focus for this research based on the fact that their model has built on some of the key forefathers of social capital such as Nahapiet and Ghoshal (1998), Coleman (1988) and Bourdieu (2011). Adler and Kwon (2002) proposed a conceptual model of social capital based on its substance, sources, and effects that resulted in value. They defined social capital as the goodwill available to individuals or groups. The substance of social capital has been described based on the structural, cognitive and relational construct. Structural refers to an organisation’s network of external stakeholders, cognitive refers to the nature of the network or how the stakeholders think about it and finally, the relational aspect refers to the emotional status within a network.

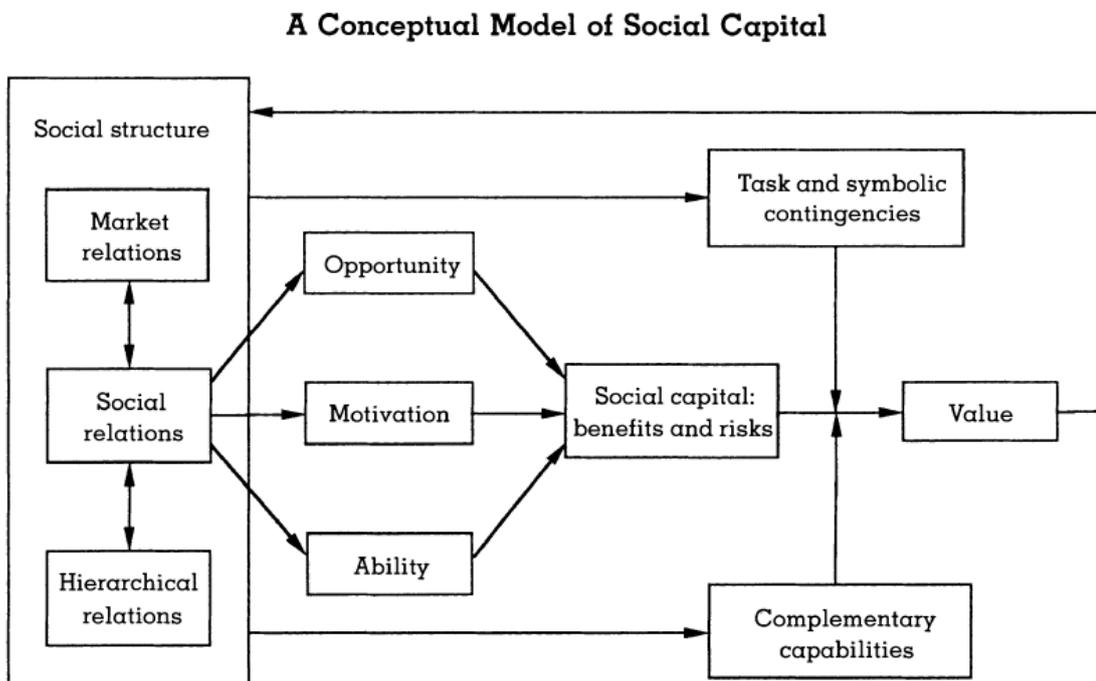
“The actual source of social capital lies in the structure and content of the actor’s social relations. Its effects flow from the information, influence, and solidarity that it makes available to the actor” (Adler & Kwon, 2002, p. 23) described the sources of social capital as a “folk schema” made up of “opportunity, motivation and ability” (p. 24).

The hypothesis presented was that all three elements have to be present in order for social capital to be transformed into value. Opportunity is understood as the structural dimension of social capital and as the network of relationships that enable an opportunity for social capital to be created (Adler & Kwon, 2002; Kwon & Adler, 2014). While a network provides an opportunity for social capital to be created, an understanding of what motivates individuals to transact knowledge without certainty of immediate returns, as an example, forms the motivation element of the folk schema proposed by Adler and Kwon (2002). Norms, trust and the willingness to co-create collective goals are seen as a key motivational source of social capital (Adler & Kwon, 2002).

While the opportunity and motivation to create social capital are of paramount importance, without the actual ability to derive value from organisational/individual networks, social capital cannot be created or will be of little use. The true benefits of social capital cannot be realised unless the organisation or individual has the ability to exchange the results of social capital. An example of this is hierarchical ability within an organisation and the ability to make decisions. Ability thus forms the final source of social capital that was proposed by Adler and Kwon (2002).

Kwon and Adler (2014) state that this model for the creation of social capital “has not been prominent in the subsequent management literature on social capital” (p. 413). However, the three elements all feature in prominent research reviewed by Acquah et al. (2014), Fang et al. (2011), Maak (2007), Maurer et al. (2011). Thus the OMA model is relevant to the ICT industry and will be used in this research to test its based on the sample unit. Figure 1 illustrates the OMA model.

**Figure 1: Adler and Kwon’s (2002) Conceptual Model of Social Capital Outlining the OMA Model**



## 2.9. External social capital creation and leadership

External social capital creation is as a result of individual leaders actively building relationships with key stakeholders (Hitt & Duane, 2002). Leadership success is also based on an individual's ability to accomplish goals through the use of relationships and thus social capital may be a requirement for transformational leadership to occur (Brass, 2001). Hitt and Duane (2002) also found that "the essence of strategic leadership is the effectuation of human capital and social capital in and for the firm" (p. 10).

There has been little research to date that explore the optimal leadership qualities of individuals involved in building social capital. An understanding of this aspect of social capital will give insight into some of the dynamic nature of social capital creation (Kwon & Adler, 2014).

A leader who hopes to build a competitive advantage through external social capital needs to be able to identify and develop mutually beneficial relationships with external stakeholders (Brass, 2001; Hitt & Duane, 2002). In order to be effective in this task, strategic leadership is required, which requires strong interpersonal skills and relational competence (Hitt & Duane, 2002).

Given the complexity of social capital and the diverse nature involved in organisational networks, Maak and Pless (2006, p. 340) suggested that, "a versatile leader with social and ethical intelligence" is required. A leader should also be a humble networker and mediator who "engages herself amongst equals" (Maak & Pless, 2006, p. 104). Hitt and Duane (2002) supported this and added that sensitivity is a required quality from a relational perspective in order to ensure that legitimate benefits and expectations from the relationship is clear.

The ability to build trust with stakeholders is another quality that the literature emphasises. This trust needs to be centred on the premise that the relationship will lead to collective and balanced value creation (Brass, 2001; Hitt & Duane, 2002; Maak, 2007).

While the focus of this research is external social capital, Hitt and Duane (2002) found that leaders must be able to appropriately integrate the external with the organisation's internal social capital (2002). In order to achieve this, they proposed a four stage strategic model involving (i) evaluation of resources, (ii) changing those respective

resources if required, (iii) configuring those resources to work optimally together and (iv) leveraging those resources appropriately to achieve the organisations objectives.

Finally, in order for social capital to lead to a competitive advantage, leaders needs to consciously ensure that they are the central point within a network around which others can connect and benefit from the group social capital and gain the resultant benefits such as knowledge transfer (Brass, 2001).

## **2.10. Conclusion**

The objective of Chapter 2 has been to detail the key research and arguments on which this particular study is based. It has also highlighted the gaps in the current literature and thus the need for this particular research.

Social capital has evolved as a research concept that was viewed through the social sciences lens to the resources lens and with this evolution, research is now looking to social capital as a source of competitiveness (Farr, 2004; Nahapiet & Ghoshal, 1998).

ICT organisations have found that their existing resources and traditional relationships are simply not enough in order for them to be competitive. More importantly, customers are looking to their suppliers for business outcomes (B4B) as opposed to simply providing products or services (B2B) (Wood et al., 2013). Customers are thus demanding changes to the existing engagement model that traditionally has been the foundation of organisational success and are looking to their suppliers to assist them in achieving their actual business objectives (Wood et al., 2013).

In order to overcome the challenge of customers demanding changes to the traditional B2B engagement model, organisations are being forced to enhance their competitiveness through other mechanisms with stakeholders (Acquaah et al., 2014; Dyer & Hatch, 2006; Ford & McDowell, 1999). The right type of relationships with both customers and suppliers that involve a commitment of resources are critical for organisational sustainability and require calculated decisions on the actions to take within each relationship (Ford & McDowell, 1999).

The creation of social capital may indeed be one such mechanism to enable these type of relationships. The value of this research is in understanding the role that external social capital can play within the ICT sector in enabling organisational competitiveness.

Chapter 2 has identified that there are inherent benefits to an organisation that is able to create external social capital. Establishing structured and effective knowledge sharing routines with stakeholders is expected to enable a competitive advantage over those organisations without access to a strategic network of stakeholders (Dyer & Hatch, 2006). Social capital developed through senior managerial social networks and connections with external stakeholders is a significant indicator of an organisation's competitive advantage and competitiveness (Acquaah, 2007; Burt, 1997; Peng & Luo, 2000).

In addition to this, building social capital with customers may enhance the power benefits of social capital such as increasing brand loyalty and sales. Investing in supplier relationships may result in better overall service and inputs into the organisation (Park & Luo, 2001; Peng & Luo, 2000). These are all potential contributing factors to organisational competitiveness (Acquaah et al., 2014)

While this research is focused on social capital and organisational competitiveness, Parmar et al. (2010) believed that social capital may also add to stakeholder theory based on a better understanding of the nature of relationships between organisations and stakeholders. The suggestion was made that organisational behaviour theory, which encapsulates social capital, might be best equipped to answer these issues. The rationale behind this suggestion is that, while stakeholder theory gives organisations the ability to understand the relevance and legitimacy of their stakeholders, it does not necessarily give guidance to how that relationship should be managed, the nature of that relationship or the sustainability of that relationship (Russo & Perrini, 2010).

Adler and Kwon (2002) proposed the OMA model as a conceptual model of social capital. The literature review has revealed that this model has not been prominently applied in practice despite that its components are all featured widely in the literature. This chapter has found that the OMA model is relevant to the ICT industry and thus the research for this paper has sought to test its validity and establish if it can be used to influence organisational competitiveness from a management practice perspective

Finally, Hitt and Duane (2002) found that “the essence of strategic leadership is the effectuation of human capital and social capital in and for the firm” (p. 10). The literature did not provide an encompassing view of what these leadership qualities are. Based on this, it will be important to understand whether there are certain types of leadership qualities that are required in order to build social capital.

Chapter 3 will outline the specific research questions that this study aims to answer as well as provide justification based on the literature discussed in this chapter.

## CHAPTER 3: RESEARCH QUESTIONS

### 3.1. Introduction

The purpose of the research is to explore the role external social capital plays in competitive advantage. The research questions detailed in this chapter arose from the literature discussed in Chapter 2, which identified gaps in the existing knowledge on how organisations can leverage external social capital to benefit their levels of competitiveness.

In addressing the purpose of this research, Chapter 3 serves to outline the three specific research questions that were used to direct the semi-structured interviews with the C-level executives in the sample population. This was done in line with the research methodology to be discussed in Chapter 4.

### 3.2. Aims and objectives

This research study aimed to accomplish the following:

- i. To gain an understanding of what the specific outcomes of external social capital creation are to ICT organisations through the lens of senior leadership within these organisations;
- ii. To understand whether external social capital can enable an organisation to achieve a sustainable competitive advantage;
- iii. To validate the OMA model in the context of the ICT industry as an effective tool for creating external social capital. One of the main challenges facing ICT organisations is the demand to move away from the traditional B2B engagement model to a business outcomes based engagement model (B4B). It is relevant to understand if the OMA model is a practical tool that could result in competitive advantage being created;
- iv. External social capital creation is the result of individual leaders actively building relationships with key stakeholders. There has been little research to date that delves into understanding the optimal leadership characteristics of individuals involved in building social capital. An understanding of this leadership and its

relationship with social capital will give insight into the dynamic nature of social capital creation.

### **3.3. Research questions**

As a result of the literature outlined in Chapter 2 and the above aims and objectives for this research, the following research questions have been identified:

- Research Question 1: How does external social capital influence competitive advantage in the ICT industry?
- Research Question 2: Does Kwon and Adler's Opportunity-Motivation-Ability (OMA) model enable competitive advantage from an external social capital perspective?
- Research Question 3: What are the necessary leadership qualities required in order to build social capital?

### **3.4. Conclusion**

Chapter 3 has outlined the three research questions in the context of the relationship between social capital and organisational competitiveness in the ICT industry.

## CHAPTER 4: RESEARCH METHODOLOGY

### 4.1. Introduction

The purpose of this chapter is to detail the research methodology used by the author to gather and analyse the data. It begins with a justification of the qualitative approach used and the selection of the semi-structured interview technique. The specific sampling parameters including the unit of analysis, population of relevance and sampling method and size are then all detailed. This is followed by the research instruments, data gathering process and analytical approach. The chapter concludes with a discussion of the research methodology limitations.

### 4.2. Approach to the research

The research consisted of a qualitative approach based on a set of personal, in-depth and semi-structured interviews (Welman & Kruger, 2001; Zikmund, Babin, Carr, & Griffin, 2012). The source of data for this research was thus the information collected during these interviews.

Kwon and Adler (2014) recommended that future research should expand on the relationship between social capital and specific industries as well as specific fields of management. In this case, the ICT industry was chosen and competitiveness was defined as the specific field of management. An explanatory research methodology was chosen for this research because it focused on studying a situation in order to explain the relationship between variables. In this case, the variables are external social capital and organisational competitiveness (Marshall & Rossman, 2010; Saunders & Lewis, 2012). In addition to this, Kwon and Adler (2002) proposed the OMA model to determine the value derived from social capital. The research tested this model in the context of the ICT sector.

Firstly, qualitative research is a fully accepted research methodology from both an academic and commercial perspective, where the value of qualitative research has been substantially demonstrated (Bailey, 2014). Secondly, while it could be assumed that at this stage in the maturity cycle of social capital as a research concept, quantitative

research is best suited to exploring the relationship between social capital and organisational competitiveness (Wu, 2008). Thirdly, one of the research questions centred on the role of leadership in the creation and mobilisation of social capital for the benefit of the organisation. Given that this question sought to understand the context behind specific leadership actions and qualities within the social capital creation process, qualitative research was deemed the appropriate method (Conger, 1998; Saunders & Lewis, 2012).

According to Conger (1998), qualitative research offers specific advantages over quantitative research in studies pertaining to leadership in particular. These include greater opportunities to explore leadership phenomena in depth and longitudinally, the flexibility to explore unexpected phenomena during the research itself, the ability investigate processes in greater detail and greater opportunity to explore the context or environment surrounding leadership.

In contrast, when considering quantitative methods, one of the main challenges that they involve a point-in-time assessment of the research problem. Quantitative research does not track the “richness of detail how events unfold or how they may reshape interpretations of events” (Conger, 1998, p. 110; Zikmund et al., 2012). Qualitative research on the other hand facilitates a deeper involvement in the context of the sample and in turn allows a view into a longer period of time. The result is greater flexibility to understand and explore any emergent factors caused by individual and environmental changes during the research period (Conger, 1998).

### **4.3. Semi-structured interview technique**

In seeking to answer the research questions, a semi-structured interview technique was used to obtain a high volume of information rich data from the participants (Marshall & Rossman, 2010). Semi-structured interviews should be carefully scripted through the preparation of specific questions as well as allowing scope for follow up questions if necessary (Marshall & Rossman, 2010). One of the benefits of being able to introduce follow up questions is that ideas and topics can be clarified reasonably quickly. In addition to this, observation of the interviewee allows for a deeper understanding of the context in which the participant responds.

One of the objectives of this research was to gain new insights into how external social capital is applied in practice by organisations and its link to organisational competitiveness. According to Saunders and Lewis (2012), a semi-structured interview technique is best when questions are complex in nature in terms of the theory base of social capital and there is uncertainty about the answers that will be given.

The value from this research has come through attempting to answer the research questions through semi-structured interviews with leaders in the ICT sector, which allowed for a narrower focus on how Kwon and Adler's (2002) OMA model can be applied practically to organisational competitiveness. Additional value was obtained through allowing the participants to share their stories and experiences on the issues questioned with the view of using this to create a model for usage going forward (John W. Creswell, 2012; Zikmund et al., 2012).

The target population for this research was senior leaders or "elites", typically C-level executives within the target organisation (Marshall & Rossman, 2010, p. 159). Consideration for this type of interviews needs to be taken into account. Interviewing these type of individuals has advantages including the value of the information based on the position that they hold especially through giving an "overall view of the company or its relationship to other companies" (Marshall & Rossman, 2010, p. 160). This is particularly important in answering the research questions outlined in Chapter 3.

#### **4.4. Population and sampling**

##### **4.4.1. Population**

The population for this research comprised of the following organisations:

- Dimension Data (Middle East and Africa)
- SYNAQ
- Internet Solutions (Middle East and Africa)
- EOH
- Turrito Networks

#### 4.4.2. Sample unit

The sample unit, being the group of individuals subject to selection in the sample, was selected based on the following criteria:

- C-level executives from each business within the population. C-level executives are defined in this context as the highest level of leadership within the respective organisation. The rationale is that at this level, leaders will be strategic and outward facing with a long term orientation towards stakeholder relationships.
- Significant working experience: at least five years of working experience within the organisation.
- Specifically, these individuals needed to have spent a significant amount of time engaging with stakeholders of the business. For the purposes of this research, all these individuals would need to be classified as both client and supplier facing.
- Examples of these include those persons with titles such as Chief Executive Officer (CEO), Chief Sales and Marketing Officer, Managing Director, Chief Strategy Officer and Chairman.

#### 4.4.3. Sampling method and size

There was no sampling frame used based on the fact that the researcher did not have access to a complete list of the entire population. Non-probability, purposive sampling was thus used (Saunders & Lewis, 2012; Zikmund et al., 2012).

The sample size was limited to 11 participants. However, by adopting a qualitative approach, specific phenomenon and contexts could be examined in detail and thus data saturation could be achieved.

### **4.5. Research instrument**

The research instrument used was that of a semi-structured interview questionnaire that spoke to the findings from the literature and related to the research questions outlined in Chapter 3. The questionnaire covered the main themes and made use of open-ended questions that allowed for further probing of respondents' answers, when required. This type of interview allowed for an informal conversational flow to take place between the

researcher and the respondent. (Refer to Appendix 1 for an example of the research instrument used.)

#### **4.6. Data gathering process**

Based on a semi-structured interview research method being used to gather the required data, the following process was followed (Saunders & Lewis, 2012):

- Each participant was selected based on the criteria outlined above and correctly informed about the context for the interview through the use of the developed interview guide, which included the topics to be discussed and some initial questions.
- The interview location was either at their office if appropriate or a closed meeting room in order to ensure that the interview would not be disrupted.
- The interviewer was appropriately dressed in business attire and was adequately prepared for the interview.
- A consent form was presented to the interviewee and the intention to record of the interview was discussed. Permission to record the interview was obtained accordingly.
- A recording device was used and this was supported with additional note taking. During the interview the researcher also took detailed notes in order to highlight themes that emerged for later coding.
- Each interview lasted between 25 and 45 minutes, which was shorter than initially anticipated. This was attributed to the elite nature of the sample population and time constraints on the individuals (Marshall & Rossman, 2010).
- Recorded interviews were then sent to an independent transcriber who transcribed each interview for analysis purposes.
- Following the transcription of the recordings, 77 pages of transcribed data were then analysed as described in the data analysis process below. The large volumes of information generated were analysed using Thematic Content Analysis (TCA) highlighting major themes, which were then aggregated and are discussed in detail in Chapter 5 (Anderson, 2007).

#### **4.7. Data analysis and interpretation**

Thematic Content Analysis (TCA) was used primarily as a means of identifying the major themes that arose from the data (Anderson, 2007). The data analysis process was based on a number of steps whereby the researcher became familiar with the data. Firstly, the transcripts from the interviews were read and then re-read. During this process key themes were highlighted. Secondly, the analysis of the data was conducted primarily using the Atlas.ti program. Conger (1998) recommended Atlas.ti as a program with which to analyse qualitative data

Primary documents in the form of typed interview transcriptions were uploaded into Atlas.ti and coded in line with the research questions. A deductive or *priori* approach was primarily taken to analyse of the data for Research Questions 1 and 2. Codes, families and super families were created using the deductive frameworks outlined in Chapter 2 based on Adler and Kwon's (2002) OMA model and were then assigned when analysing the data (Saunders & Lewis, 2012). An inductive or *ex post facto* approach was also applied to Research Questions 1 and 2 whereby codes were created during the analysis process for any data that did not comply with the Adler and Kwon (2002) framework and thus were deemed to be new concepts for further analysis and discussion in Chapter 6.

An inductive or *ex post facto* approach was taken for Research Question 3 whereby leadership characteristics were identified based on the interview. In this process, coding of the transcripts took place using a bottom-up approach and the results demonstrated this. The documents were coded three times during the analysis process to ensure that all the data was accounted for in the results. Findings from each round of coding was incorporated into the next round and the subsequent analysis.

The process was thus iterative in nature. Total time for analysis per interview is estimated at between two to three hours of time, which included coding. It is worthwhile noting that various tools within Atlas.ti were used for the analysis including the query tool leveraging the code families and super families, code co-occurrence and word cruncher. The results from this analysis process are detailed in Chapter 5.

#### **4.8. Research methodology limitations**

The chosen methodology to conduct this research contains several limitations by its design that need to be taken into account. Firstly, the sampling method chosen in this

case was non-probability and purposive sampling and by nature would not represent the population statistically. Thus the results cannot be applied to the population as a whole (Saunders & Lewis, 2012).

Furthermore, the size of the sample chosen is small, which may have had an impact on the validity of the data collected. Ultimately, the objective of this research methodology was to achieve data saturation (Saunders & Lewis, 2012) and it is the researcher's view that this was achieved.

The sample chosen however is specifically focused on the C-level or executive level individual. This is important based on the fact that it adds significant validity to the results. Although the sample size was small, the seniority of the individual surveyed compensates for any limitations in the sample size.

The interview relied to a certain extent on establishing rapport between the interviewee and the interviewer. However, there was limited time available to the researcher to build trust, which may have had an impact on whether or not the interviewee shared all the information that he or she had either due to being unwilling or uncomfortable to do so (Marshall & Rossman, 2010).

Additional limitations in the design may have come from the interviewer not asking the correct questions to invoke the right information either based on the incorrect use of language or based on the interviewer's inexperience (Marshall & Rossman, 2010).

The sample unit also comprised of elite C-level executives in terms of their positions within their respective organisations. There are, however, limitations that are associated with interviewing such high level employees. These include power relations that may create difficult moments between the interviewee and interviewer (such as the need for the researcher to establish credibility and competence on the subject at hand with the interviewee) and potential changes in interview structure based on the participants' wishes and predilections (Marshall & Rossman, 2010).

#### **4.9. Conclusion**

The research design and methodology was selected to meet the objectives of the research outlined in Chapter 3. An explanatory research method was deemed to be appropriate. Semi-structured in-depth interviews were used as the data collection

method. This allowed the researcher to perform the necessary analysis to gain insights into the research topic results, which are discussed in Chapter 5.

## CHAPTER 5: RESULTS

### 5.1. Introduction

The purpose of Chapter 5 is to present the findings that support or oppose the research questions outlined in Chapter 3. This chapter begins with an overview of the sample, which is followed by an explanation of the data analysis approach. Following this, the results of each research question are presented and the reliability and validity of the data is then outlined, finally a conclusion is then made as to whether evidence supports the research questions or not.

### 5.2. Overview of the sample

Table 1 details the makeup of the sample for this study. To preserve their anonymity, respondents have been classified from P1 to P11. It is important to reiterate that the sample was comprised of C-level executives (Chief Executive Officers, Chief Sales Officers and Chief Strategy Officers as examples) and were thus senior and influential leaders within their respective organisations in the South African ICT industry.

This adds significant validity to the results, because, while the sample size was small, the participants' seniority compensated for this and added credibility to the results. Each participant was selected using purposive sampling, and had at least five years of working experience within their respective organisations or in their respective positions. The sampled population spent a significant amount of time engaging with stakeholders of their respective businesses and would be classified as both client and supplier facing individuals whose job specification would specifically include engaging with both clients and with suppliers that were important to their respective businesses.

In examining the demographic makeup of the sample population, both men and women were represented, however out of the 11 people interviewed, only two were women thus there was a heavy bias towards male respondents. Given that gender was not included as a variable, this is not significant in the results but worth highlighting for future research. All of the participants that were interviewed were South African, however all individuals

interviewed had responsibilities that extended across the African continent with seven participants with responsibilities into the Middle-East as well.

**Table 1: Overview of the research sample**

Participant	Type of Company	Company Position
P1	ICT Systems Integrator	Group Strategy Executive
P2	ICT Telecoms Service Provider	Managing Director
P3	ICT Systems Integrator	Chief Executive Officer
P4	ICT Systems Integrator	Sales Director
P5	ICT Telecoms Service Provider	Sales Executive
P6	ICT Systems Integrator	Managing Director
P7	ICT Systems Integrator	Executive Director Corporate Services
P8	ICT Systems Integrator	Group Chairman
P9	ICT Services Company	Chief Executive Officer
P10	ICT Service Provider	Group Business Development Executive
P11	ICT Systems Integrator	Sales Director

### 5.3. External Capital and organisational competitiveness

Research Question 1: How does external social capital influence organisational competitiveness?

The data that was analysed in order to answer this question was collected through the following questions in the research instrument:

- *What is the link for you between the relationships you build and the purpose of the business? Could you share some examples where relationships lead to something good for the company?*

Adler and Kwon (2002) stated that the effects of social capital are “information, influence and solidarity” (p. 18). Thus when analysing the results of this question, the results are presented into these three categories by adopting a deductive approach to the analysis and any results that sit outside of this are identified as such for discussion in Chapter 6.

When asked the question of the link between the relationships built by the organisation and the purpose of business, P1 responded:

*P1: "So I see a direct correlation between those two things: the purpose of business and the actual relationships that one builds."*

This was substantiated based on two main reasons, the first being the information benefits that flow from building these type of relationships and the second is the reduction in the transactions costs of doing business that relationships provide (Acquaah et al., 2014). The information flow benefits of social capital are well documented in Chapter 2 and were confirmed as being direct benefits by participants in this research.

#### 5.3.1. The benefits of information flows

Out of the 11 participants interviewed only four identified information flows between organisations being a determinant of organisational competitiveness. P1 was direct in terms of identifying the fact that organisations exist in a stakeholder world and that information flows translate into business value. This was confirmed through the following statement:

*P1: "I think from a competitive strategy point of view that is something we believe gives us benefit when we then engage... It is that information benefit because the way information translates into business value, it is not a linear relationship... It is not like you can go somewhere, consume a little bit of information and come back and create value from that. You almost have to deal with the complexity of pieces of information that reside across multiple stakeholders out there, that you have got to go and pick up and share with other stakeholders, for you to be able to sort of benefit and create that business value."*

The benefits of information exchange was supported by P3 and P9:

*P3: "I find those relationships that can add the greatest value to the company and to myself are based on that sort of knowledge exchange and I think within the company context that is useful because there are not many people who have those kinds of relationships."*

P9: *“Ultimately, people buy from people so the more of those interactions that are happening the better, and definitely we find social interactions 100 per cent help in securing business, getting the relationship, uncovering what are our opportunities in customers, as there is more trust and there is more rapport and definitely more information comes as well.”*

P7 regarded the informational benefits through the eyes of her client being the government in Kenya and said the following:

P7: *“While it is good to know what each of these governments is trying to achieve... we can anticipate what kind of solutions a Kenya in three years’ time might actually require.”*

Finally, P1 summed up the information benefits from an ecosystem perspective as follows:

P1: *“The bulk of the benefit is really around this appreciation of participating in an ecosystem and sharing ideas and information with a variety of stakeholders can only be a good thing for your own business and your sustainability.”*

### 5.3.2. The benefit of Influence

All 11 participants identified “influence” as being an important factor in organisational competitiveness. This is one of the power benefits associated with social capital (Adler & Kwon, 2002). A reduction in transaction costs associated with doing business was a concept that came through strongly in the results and is listed as an effect of social capital in the literature (Acquaah et al., 2014).

Based on the way that the sample defined a reduction in transaction costs of doing business, it makes sense to categorise reduction in transaction costs and influence in the same category. Ultimately, influence is about having the capacity to effect some form of change on an existing character or organisation where barriers to doing so would naturally exist. P1 commented on influence and its impact on the purpose of business:

P1: *“We just cannot afford to do everything ourselves, therefore we need to rely on others and have contracts with them so that they can provide value to us. That is why businesses actually exist.”*

P2 added to this by commenting on how relationships had impacted their business positively during hard times by ensuring that they obtained superior service from their suppliers:

*P2: “Our relationships have been hugely beneficial in us surviving the tough times... Our ability to deliver quality products and services to our customers is massively reliant on our ability to leverage relationships with our suppliers. And our biggest suppliers are without doubt the suppliers that we have the strongest personal relationships with.”*

P2 described the benefit to his organisation and how they were able to achieve this using influence:

*P2: “In our business, we make suppliers deliver better than they would be able to directly with the customer.”*

One of the main outcomes of external social capital that was emphasised was its use in influencing new business or influencing the retention of existing business to the organisation. This came through in a resounding way through the following quotations:

*P2: “The guys that we spend the most money with are not the guys who are the cheapest; they are not the guys that are necessarily the most efficient. They are always the guys that we have the closest personal relationships with.”*

P3 continued with an explanation of how positioning their organisation as a trusted advisor resulted in an opportunity for them:

*P3: “I think what has added credibility to that is being able to talk openly to them about where Amazon is, where Rackspace is, what we are seeing globally in the market... And I think that has been well received by [our client] it has resulted now in us being given an opportunity to respond to an RFP, that they weren’t going to include us in.”*

P9 gave an interesting perspective on how his organisation has used relationships, rather than focusing on how good their products are, to retain business with their customers:

P9: *“I cannot believe the reason that clients have stayed with us for that long is because they love the product exclusively. They love the relationship that they have, and they love that it’s with senior people in the organisation. It gives them a feeling of importance. From a retention point of view, I think it has retained millions of Rands over a period just by keeping those relationships.”*

P6 referred to the connection between influence (as an outcome of social capital) and organisational competitiveness. He included the necessary variables involved in winning new business through influential relationships. Note the emphasis that the participant placed on the relationship in this context between winning or losing business:

P6: *“I have seen on many occasions where we have competitive solutions that address a client’s requirements, and we have lost to an organisation who has better relationships than we do – and vice versa, where we have won because of those relationships. So to me that is your connection to business.”*

P11 referred to how their largest client would not have become such had it not been for the relationships that were built over a period of four years:

P11: *“Our biggest client would never have been our biggest client if it was not for the relationships that the client manager had built with key stakeholders over a period of four years before that RFP came out. I think in all cases where we get big business – there are exceptions to that – but it is because the client actually wants to do business with [our company].”*

Another area impacting organisational advantage was reputation management, which forms an important outcome in the power benefits associated with special capital creation (Fang et al., 2011):

P7: *“We forget sometimes that relationships impact a lot on your reputation, and reputation is absolutely good for business and the value can be a rand or a billion [rand] – it depends on what happens in between... There is no doubt in my mind where those relationships become important.”*

P11: *“As a company you have to be palatable. If you were in the*

*newspapers for fraud all the time or if your leadership were not great people, not inspiring or value driven people, then I think you have got zero change. I really think it is very, very difficult. Relationships are a very, very big part of creating success for our company.”*

### 5.3.3. The benefit of solidarity

Solidarity as defined by Adler and Kwon (2002) was not identified in the results as being of particular benefit to external social capital in the context of ICT companies in South Africa by any of the eleven participants interviewed. This will be addressed further in Chapter 6.

### 5.3.4. Complementary concepts

Additional noteworthy results included organisational differentiation, which falls in line with organisations looking to build a competitive advantage through a differentiated position in the market. An organisation has a competitive advantage when it is “implementing a value creating strategy not simultaneously being implemented by any current or potential competitors” (Barney, 1991).

P2 spoke about how they would implement specific tools using technology from a customer relationship management perspective that measured and reported on engagements with their organisation:

*P2: “We were battling to differentiate ourselves enough in a market that is absolutely rife with competitors at the moment, and we wanted to find ways that very impactfully [sic] but very simplistically get the point across that this is a different engagement, and because we deal with all of the providers we know exactly how their sales engagements are... We found that engagement has probably been one of the most dramatic changes that we have had in terms of customer engagement.”*

P9 added to this by outlining the technology that they used to differentiate the company through external social capital:

*P9: “[We] use another tool... which is on our phones and this is more for new people, any new appointment that is set and automatically checks out calendars and sends a sale person about a day or two days before all the detailed information we can find about*

*that person online... and it puts it into a summary so that you've got all this info that you could use in the sales conversation where you know what the interests of that individual are and what has been happening in the press for that person."*

#### 5.3.5. Conclusion of Research Question 1

The purpose of Research Question 1 was to understand how external social capital influences organisational competitiveness for ICT organisations in South Africa. The results of the research indicate that the benefits of external social capital creation include informational benefits, influence and differentiation. Solidarity was not identified by any of the participants as being an important factor in relation to organisational success. This is detailed in Table 2. Differentiation is a potentially new finding that will be discussed in detail in Chapter 6.

**Table 2: Factors that influence organisational competitiveness as a result of external social capital**

Key factors	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	Number of responses	Count
Information benefits	Y	N	Y	N	N	N	Y	N	Y	N	N	4 / 11	21
Influence	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	11 / 11	9
Solidarity	N	N	N	N	N	N	N	N	N	N	N	0 / 11	0
Differentiation	Y	Y	Y	N	N	Y	N	N	Y	N	Y	6 / 11	10

#### 5.4. The validation of the OMA model for enabling organisational competitiveness

Research Question 2: Does Adler and Kwon's (2002) Opportunity-Motivation-Ability (OMA) model hold for enabling organisational competitiveness from an external social capital perspective?

The purpose of this research question was to understand whether this model as the source of external social capital holds true. In order to test this model with the sample population, the following questions were used in the instrument.

- What is your approach to building relationships with clients and/or suppliers?
- Do you have a conscious approach to socialising with your clients and/or suppliers?
- In your opinion, what are the characteristics of a business value relationship?
- What needs to take place in order for business value to be created through relationships?
- How do you manage value generating relationship building versus time wasting relationship building?

When analysing the data obtained from these questions, both a deductive and inductive approach was taken. From a deductive perspective, the OMA model was coded further in Atlas.ti based on the definitions from Adler and Kwon (2002) described in Chapter 2. An inductive approach was taken when identifying any new concepts that did not fit into the OMA model.

All the primary documents were coded based on the framework outlined in Appendix 2. During the coding process, any concepts that did not fit the Adler and Kwon OMA model were then coded as new concepts and classified as exceptions for further analysis in Chapter 6. Once the coding was complete, an analysis was performed in Atlas.ti.

One of the analysis tools used in Atlas.ti was the code co-occurrence, which indicates where concepts overlap. This was an important analysis to perform as it shows overlaps within the OMA model. Adler and Kwon (2002) proposed that in order for social capital to be active, all three sources must be present.

It is important to note that not all the co-occurrence data was contextually relevant and thus a manual process was undertaken by the researcher to identify quotations and concepts that were relevant.

#### 5.4.1. Opportunity as a source of external social capital

All 11 participants identified certain elements that made up the opportunity construct. Using the analysis query tool in Atlas.ti, deeper analysis was then achieved by investigating the actual quotations within the data. When analysing the quotations, the intention was to understand whether opportunity was a key source of social capital and what the key factors were that make up the opportunity construct in this context. The

data highlighted the importance of understanding an organisation as part of a stakeholder ecosystem in which informational flows were of benefit to the organisation:

P1: *“It is important for us to reach out and engage with stakeholders because we fundamentally believe that for our company to be successful, this idea of participating in an ecosystem of a variety of stakeholders is quite important.”*

The following highlights the complexity in dealing with information flows:

P1: *“It is not like you can go somewhere, consume a little bit of information and come back and create value from that. You almost have to deal with the complexity of pieces of information that reside across multiple stakeholders out there that you have got to go and pick up and share with other stakeholders, for you to be able to sort of benefit and create that business value.”*

An organisation is an active member of an ecosystem that needs to coexist with other organisations in order for informational flows to take place. Participants believed that a relationship network was an asset for an organisation, which is in line with the resource based view of the firm:

P4: *“A network, in my opinion, is arguably the single biggest asset you can have assuming you have a value proposition. Beyond that you then need relationships with people to get to see the people you need to talk to.”*

The data also indicated that in some cases a formal strategy was being used in terms of creating the opportunity for social capital to leverage executive relationships. P1, P3, P10 and P11 all indicated that senior level involvement in creating the opportunity for social capital to be generated is incredibly important:

P1: *“An example here is looking at the executive sponsorship programme, where you have got executives that give their time outside of their specific roles, that then build and utilise their business relationships to advance the cause of the company with very specific clients.”*

P3: *“We have an executive sponsorship programme and it does actually extend into clients and suppliers, and it is quite formalised, so there are formal documented responsibilities on the executive sponsorship programme.”*

P10: *“My view on life is the more senior people you have the better. [Our company] will always [arrive] at a meeting with three partners. One partner is there talking about things, the other two are there for show and the client feels they have been given the level of respect that is required.”*

P11: *“For example, account-based marketing has helped us drive the [customer’s] leadership forum engagement and we had a cycling team between our executives and the customer’s executives.”*

The data also indicated that the design and structure of one’s network is incredibly important and that building the breadth and depth of relationships is vital to enabling external social capital. P3, P4 and P9 all commented on the need to ensure that organisations actively build strong relationship networks that extend beyond engagement with the immediate stakeholders:

P9: *“What we try and do is build depth of the relationships as opposed to single relationships.”*

P3: *“And that is often by building relationships a little bit outside of the people that we normally would deal with, it is about having the ability to introduce new solutions, or new solution areas into the account and it is about being able to position a solution if you like the Geoffrey Moore model, somewhere early in the technology and option life cycle.”*

P4: *“I think in a big account you actually need to have a lot of different relationships.”*

Table 3 summarises the factors that influence the opportunity construct.

**Table 3: Factors that influence the opportunity construct**

Key factors	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	Number of responses	Count
Executive relationships	Y	N	Y	N	N	N	N	Y	Y	Y	Y	6 / 11	30
Breadth of relationships	N	N	Y	Y	N	Y	N	N	Y	N	Y	5 / 11	6
Number of stakeholder relationships	N	N	N	Y	Y	Y	Y	Y	N	N	N	5 / 11	7
Depth of relationships	N	Y	Y	Y	N	Y	N	Y	Y	N	N	6 / 11	7

#### 5.4.2. Motivation as a source of external social capital

The purpose of this section is to understand whether the motivation construct was a key source of social capital and what the specific factors are that contribute to the motivation construct in this context. All 11 participants identified factors that made up the motivation construct. Trust, transparency, credibility and honesty were strongly identified in the data. The evidence also indicated that an organisation should look to build a trusted advisor status with the client or supplier and this was included as part of the motivation construct.

P1, P4 and P6 commented on the fact that any relationship needs to be built on honesty, trust and authenticity. If these characteristics are not present, these relationships will not be sustainable:

*P1: "I also feel that relationships that are built on honest engagements – where you are consistent in who you are and what you are about – are a lot more valuable. Whereas I find that relationships that are built on very sort of specific things and are very thin on the human element are very difficult to maintain and sustain."*

*P4: "I think trust and respect and all of these things... you can only get if you are authentic and true to yourself. And too often people are not authentic because they think they need to be something else to be successful."*

*P6: "I think that sort of transparency and honesty with a client builds some sort of level of trust and respect... Trust and respect are what I call the building blocks in any relationship, and without that I think it is difficult to build relationships."*

Being a trusted advisor in the context of the complexity of the ICT industry and ensuring that customers or suppliers perceive an organisation as engaging with them for mutual benefit was also highlighted:

*P3: "I think in that regard it is often to be a trusted advisor that is not trying to push something down their throats, but is able to have a conversation with them broadly about the options that there are for them in the industry."*

P5: *“Credibility, I think that is the cornerstone for any of our relationships, whether it is internal or external. If a client does not see you as a credible – we use the term in the sales side as that ‘credible Sherpa’ – then he is not going to buy-in [to the organisation].”*

Within the motivation construct, there was a strong emphasis on relationships being built on ICT service related issues. These issues appear to create an opportunity for trust and credibility to be built on the back of a positive response from the ICT supplier responsible for delivery. This is supported below by P2, P3 and P10:

P2: *“The strongest relationships we have both from a customer and a supplier perspective, are customers and suppliers that have [gone] through hell together to come out the other side. And there is a lot more depth to those relationships, there is a lot more respect, there is a lot more mutual understanding and it is a lot harder to break those relationships.”*

P2: *“It is when times are hard that all of those pressures and bad things culminate. If you manage that very closely and with the right level of respect and with the right level of integrity, I think customers see that and you see that and your suppliers see that and that is why those relationships tend to build far stronger.”*

P3: *“A lot of good relationships get built when something has actually gone wrong, and I think a lot of trust gets built. I think that the underlying reason why people continue to do business with you is still that they know that you will pick up a phone over a weekend, you will do something when the chips are down, and I think for me that is probably the single most important aspect of relationships.”*

P10 summed this up by building the connection between delivering on one’s word and future business engagements:

P10: *“Delivery is your best salesperson.”*

The willingness to co-create collective goals, find a common purpose or create business value for both parties were themes that came through overwhelmingly in the data as a foundation for building solid relationships. These were identified as components of the motivational construct of the substance of social capital:

P2: *“Relationships are always built on an interest of wanting to do something together, in particular in business, and if you show a very high level of interest in the other person’s*

*business and in their priorities and pains and the reasons for their successes, that from my perspective is the most powerful initial engagement you can have with someone.”*

*P4: “I think in order to have a relationship, a business relationship, there has got to be a degree of value, bi-directional value. My first approach to try and understand the partner or the client’s objectives, goals, pain points, challenges... Before you can add any value and build trust and all of those things, you have got to show that you are actually interested in them before you start sharing your wares.”*

*P6: “I am finding that purely a social relationship built on trust and respect is not enough; you actually have to have a meaningful, relevant conversation with a client, that the client can sit and say, ‘Well this adds business value.’”*

*P6: “I think with the governance requirements along with clients looking for real business value, social relationships is only 50 per cent. I would say 25 to 30 years ago social relationships was 80 per cent. I would say today having a strong social relationship with the client is probably 50 per cent, the other 50 per cent is around real business value being relevant and have a meaningful conversation.”*

*P7: “It is a common purpose first and foremost – what are we actually jointly or separately wanting to achieve and how does our relationship facilitate each one of us achieving that? That is important.”*

*P8: “Knowing what they want, having an understanding of what the background of the person is, what the business requirement is, and then perhaps helping them build what they wanting to do. We cannot sit in our ivory towers here in head office and have all these solutions but we do not really understand what the client wants, what the client is about. For me it is listening to the client, doing all of those things, being customer facing. That is the name of the game.”*

*P11: “In most cases we do business cases to save the client money. So it just changes the engagement completely.”*

Consistency in one’s approach to relationships is another important aspect of the motivational construct that was revealed in the data. It appears that consistency is strongly linked to trust. By being consistent when engaging with customers or suppliers, there is an element of predictability in how that individual or organisation will behave in

the future. Trust appears to result from this. P1, P2 and P6 said the following that speaks this concept of consistency in relation to trust:

P1: *“I think relationships that are built on really being genuine and being consistent are really quite credible.”*

P2: *“We always find that not just first impressions but continued impressions in that engagement are probably the most important aspects of building a relationship where things can actually go wrong and you can still maintain a level of relationship and continue to deliver services to them – and that normally talks to how strong a relationship is as well.”*

P6: *“The other principle is something that is absolutely paramount to me, is consistency. Be consistent. Nothing drives me away more than someone who is inconsistent.”*

The element of time and taking a long-term view on relationships in reaping the benefits of social capital came through strongly. Adler and Kwon (2002) referred to this as building social capital with no certainty of immediate returns. This is supported through the following comments from P3, P8 and P9:

P3: *“I think you have to be very careful with relationships that you do not only try and leverage the relationship when there is money to be made. You have got to appreciate that in any relationship there is give and take, and you have got to be careful that you are not entering into relationships where it is just take, take, take on the other party all the time.”*

P8: *“When you build relationships you better be prepared to build a long-term relationship. So it is not about a quick deal and running off and disappearing into the mist. It is about taking a small client and saying ‘we can grow with you and along the path we can be friends’ – and you remain friends forever.”*

P8: *“I don’t think you should burn any bridges; keep those people friendly, they may turn up in important positions at some time.”*

P9: *“What we do constantly do is build relationships with people that may not be clients in the hope that eventually something will come out of that, either they going to become a client or they will have access to a client that we are trying to get into and build relationships over a long time where there is not potential upside in the short term.”*

Finally, P3 cautioned organisations against looking at business relationships from purely a monetary perspective:

P3: *“At the end of the day business has to make money and has to deliver returns for its shareholders otherwise it will not exist. When one becomes obsessed with money and your own targets, I think it is a bit of a death knell for relationships.”*

Table 4 summarises the factors that influence the motivation construct.

**Table 4: Factors that influence the motivation construct**

Key factors	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	Number of responses	Count
Trust	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	9 / 11	65
Credibility	N	Y	Y	N	Y	N	N	N	N	Y	Y	5 / 11	22
Business value creation	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	10 / 11	146
Consistency	Y	Y	N	N	N	Y	N	N	N	Y	Y	5 / 11	16
Long term approach	N	N	Y	N	N	N	N	Y	Y	N	N	3 / 11	51

#### 5.4.3. Ability as a source of external social capital

The final source of the social capital OMA model is ability, and the purpose of this question is to understand whether or not ability is a contributing factor to external social capital creation. If so, what are the specific factors that contribute within this context?

While the opportunity and motivation to create social capital are of paramount importance, without the actual ability to derive value from organisational or individual networks, social capital cannot be created or will be of little use. Ability thus forms the final element of the sources of social capital that was proposed by Adler and Kwon (2002). The ability construct had the least number of codes associated to it based on the

data analysis, which is discussed in Chapter 6, and eight participants identified factors relating to this construct. Important concepts that came through included organisational hierarchy and corporate governance. Quotations to support this are as follows:

P1: *“You want to ensure that you engage with the right people at the right levels.”*

P9: *“Generally, [in] large organisations people move quite often and also no [single] individual makes the decision. It has to be done through multiple people and so what we try and do is to understand who are the key influencers in that client and start building relationships with each of those key influencers.”*

Corporate governance is an important consideration in how customers procure from suppliers. Given the results from this research, corporate governance has become more relevant to organisations currently compared to previous years.

The reason corporate governance is categorised under the ability construct is that while an ICT organisation may have generated external social capital optimally, unless the governance process has been catered for, the benefits for social capital will not flow to that organisation accordingly. Corporate governance thus impacts on the ability of external social capital to be created. This is not something that has been identified within the literature thus far and this will be discussed in further detail in Chapter 6. P6, P4 and P11 said the following about corporate governance and how it has become a growing consideration in recent years:

P6: *“With the governance requirements along with clients looking for real business value, social relationships is only 50 per cent.”*

P4: *“Corporate governance has created certain obstacles.”*

P11: *“Corporate governance is an enormous problem.”*

Table 5 summarises the factors that influence the ability construct.

**Table 5: Factors that influence the ability construct**

Key factors	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	Number of responses	Count
Organisational hierarchy	Y	N	Y	N	N	Y	Y	N	Y	N	Y	6 / 11	18
Corporate governance	N	N	Y	Y	N	Y	N	N	N	Y	Y	5 / 11	11

#### 5.4.4. New concepts to compliment of OMA model

Any new concepts that did not fit into the OMA model were coded inductively and analysed to determine whether there was relevance to identifying concepts that could be added to the OMA model. The concepts that came out of this analysis were primarily in the detail and application of how the various organisations built social capital.

While it could be argued that these concepts could be categorised into the existing OMA model, the richness of the detail is worth mentioning in this section. P9 introduced the concept of allowing external stakeholders, either clients or suppliers, to build social capital with the broader organisation rather than just the Sales Director or CEO:

*P9: “Clients, whether subconsciously or consciously, are really distrustful of sales people because they trying to sell things. So at least if it is a social gathering, you meeting the team, you meeting everyone and you speaking to these technical guys who really could not care if you buy a product or not. You are getting a more authentic view in their eyes, answer of what this company is about and what they are able to do for you so it takes that distrust level away.”*

*P3: “A lot of our client managers and our contract portfolio managers and even our executives are very uncomfortable with the kind of people that drive thought leadership and innovation and actually actively try and keep them out of their accounts. So often the individuals that are good at that are somewhat messy at the way they interact with people, or often it is a bit sort of high level, there is not you know, certainty, and a lot of people at [our company] actually feel very uncomfortable with that. I think those relationships are quite important to be perceived as innovators, thought leaders, at least at a technology level.”*

P11: *“Another key ingredient for successful relationships with clients is to understand that you do not have to be the primary owner of a relationship. So understanding the different horses for different courses is also very important.”*

This concept is particularly interesting as the literature has shown that external social capital is primarily built at an individual level on behalf of an organisation, yet the data indicates that external social capital is built through interactions with various individuals at various levels throughout the organisation. This will be discussed in further detail in Chapter 6.

#### 5.4.5. Conclusion of Research Question 2

The purpose of Research Question 2 was to understand whether Adler and Kwon’s (2002) OMA model enables organisational competitiveness in the ICT industry in South Africa. The data from this chapter indicated that eight respondents identified criteria in all three of the individual constructs being opportunity, motivation and ability.

The results from this research demonstrate that for the majority of organisations in the ICT industry, the three elements are important to building external social capital with suppliers and customers in order to influence organisational competitiveness.

### **5.5. Leadership and social capital**

Research Question 3: What are the necessary leadership qualities required in order to build external social capital?

The purpose of this research question was to explore and understand the specific leadership qualities that support the building of external social capital for an organisation considering the importance of leadership in generating external social capital. External social capital creation is a result of individual leaders actively building relationships with key stakeholders (Hitt & Duane, 2002). Individual leadership is also based on accomplishing goals through the use of relationships and thus social capital is crucial to good leadership (Brass, 2001).

The data that was analysed in order to answer this research question was collected through the following question in the measurement instrument:

- What are the specific leadership qualities that are associated with these type of relationships?

One of the most significant leadership qualities that came through strongly in the results is integrity. P1, P2, P5, P6 and P9 among others highlighted integrity as being a key leadership quality:

P1: *“With integrity as well, doing the right things when no one is watching is really quite important. And something that is also really quite important for me would be someone who has a very good understanding of themselves.”*

P2: *“With the right level of respect and with the right level of integrity I think customers... and your suppliers see that and that is why those relationships tend to build far stronger... they were built on that level of I guess the strongest quality I would say, to give it a word, is ‘integrity’.”*

P6: *“Integrity goes without saying, integrity will come through again with what I call transparency and openness.”*

P9: *“Someone with strong integrity... The person that they’re forming relationships with never doubts their intentions, their integrity and follow through and they are just that authentic person in that regard and it is one of the top five qualities you look for in that person.”*

In order to be effective at creating external social capital, Hitt and Duane (2002) stated that leaders must have strong interpersonal skills and a strong relational competence. Based on this, it is important to understand what these specific interpersonal skills are. P1 identified the following key interpersonal qualities:

P1: *“Someone who finds it very difficult to shut up, someone who clearly draws energy from being with others, someone who can speak multiple languages, someone who is likeable.”*

P4: *“You have got to be committed to the cause of building relationships; you have got to be committed to the belief system that relationships will improve the state of our business.”*

P9: *“First and foremost they have to enjoy relationships with people they actually get energised by forming relationships with people.”*

Humility in engaging and building relationships with external stakeholder was seen another key leadership quality that came through very strongly in the results:

P3: *“You have got to have the humility to understand that there are other people with other skills and other attributes that also have value to add to the organisation’s relationship... And then have the humility to understand that relationships are between companies.”*

P4: *“Humility is a key leadership skill that you need to build sincere, long lasting relationships.”*

P4: *“And you have got to put yourself in that person’s shoes; you have got to be able to relate to all levels and feel comfortable.”*

The ability to build trust with stakeholders is another quality that the literature emphasised. This trust needs to be centred on the premise and understanding that the relationship will lead to collective and balanced value creation (Brass, 2001; Hitt & Duane, 2002; Maak, 2007). The data revealed that trust was mentioned 65 times during the 11 interviews and is thus an important component of building social capital. Consistency was noted as a quality that leads to building trust. Consistency in this context is also linked to delivery of what was promised. P1 confirms this by saying the following:

P1: *“You deliver against what they said they could do with the right level of people – that’s what builds trust. It’s consistency.”*

P1: *“Relationships that are built on really being genuine and being consistent are really quite credible... You have to stand for something and people have to know you for that thing, and you have got to be consistent with it; you cannot, on the one day be this introverted, reserved person and the next day you are all over the place. It is very difficult then to build that level of trust.”*

P5: *“I think that consistency is something that you need out of your leader.”*

P6: *“The other principle is something that is absolutely paramount to me, is consistency. Be consistent”.*

P9: *“They need to be people who deliver on their commitments.”*

Finally, self-awareness as a leader in building external social capital was also highlighted as being an important quality to possess:

P1: *“You want someone who has an appreciation of who they are, someone who can appreciate and understand what they are good at and what they are not good at.”*

P2: *“I think ultimately you need to know where your strengths and weaknesses lie.”*

P3: *“The first thing in any relationship in personal life or professional life, is that you have got to know yourself.”*

### 5.5.1. Conclusion of Research Question 3

The purpose of Research Question 3 was to understand the specific leadership qualities that support the external social capital for an organisation. Integrity, strong interpersonal skills, humility, consistency and self-awareness were all identified as being the appropriate leadership qualities.

Table 6 summarises the leadership qualities required in order to build external social capital.

**Table 6: Leadership qualities required in order to build external social capital**

Key qualities	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	Number of responses	Count
Integrity	Y	Y	N	N	Y	Y	N	N	Y	N	N	5 / 11	11
Interpersonal skills	Y	N	N	Y	N	N	N	Y	Y	Y	Y	6 / 11	27
Humility	N	N	Y	Y	Y	Y	Y	N	Y	N	N	6 / 11	6

Consistency	Y	N	N	N	Y	Y	N	N	Y	N	N	4 / 11	16
Self-awareness	Y	Y	Y	N	N	Y	N	N	N	Y	Y	6 / 11	10

## 5.6. Reliability and validity of the results

The purpose of this section is to highlight specific issues that may be a threat to the reliability and validity of the results. From a reliability perspective, the method used in the analysis of the results was a combination of deductive and inductive analysis. The deductive approach was based on grounded theory outlined in Chapter 2. Words and phrases were interpreted by the researcher within the context in which they were spoken and thus the accuracy of interpretation may be negatively impacted as there is an element of judgement. Coding was done three times in the analysis process and thus dependability is demonstrated through this process.

From a validity (or credibility) perspective, the majority of the participants were from one organisation. This may impact the validity of the data because there may be an organisational approach to building external social capital that has influenced the sample.

The second threat to the validity of the data could be the sample size. However, due to the seniority and focused nature of the sample, the negative impact to the results was limited and in fact could add to the validity of the data. In addition to this, there was a strong element of data saturation that occurred across the three research questions, especially in Research Question 3 that adds further credibility to the findings.

Respondent validation was present as well in all of the research questions. All participants in the research have been included in the presentation of the results and all relevant data from the interviews has presented in Chapter 5. This adds to the credibility of what has been presented in this chapter.

From a researcher perspective, interpretation of the data could have been impacted negatively due to researcher bias because the researcher was an employee of the one of the companies surveyed and has experience in the industry, thus researcher bias

exists. However, data has been included in the results that contradicts the theory outlined in Chapter 2 and thus indicates an element of objectivity to the results analysis.

### **5.7. Conclusion**

The results from the research questions highlight significant themes in the role that external social capital plays in enabling organisational success. The results demonstrate support for the existing literature, and provide unique and insightful findings into how organisations build external social capital with their stakeholders, the challenges that they face and the solutions that they use for organisational success.

In Chapter 6, the results are discussed in terms of the research questions, propositions or hypotheses and in terms of the literature.

## CHAPTER 6: DISCUSSION OF RESULTS

### 6.1. Introduction

This chapter discusses in detail the research findings outlined in Chapter 5. These findings are compared with the literature review presented in Chapter 2 and are outlined in accordance with the three research questions proposed in Chapter 3. The in-depth interviews provided an extensive set of data from which emergent themes were drawn. Insights were outlined in Chapter 5 as to the relationship between external social capital and organisational success, insight into the validity of the OMA model and the necessary individual leadership qualities required in order to create external social capital.

The research results in this chapter contribute to an improved understanding of the factors that arise from the creation of external social capital and how they contribute to organisational success in the ICT industry as well as how senior leaders within their respective organisations leverage external social capital to their advantage when working with external stakeholders.

The findings have important management practice implications as well. The results demonstrate evidence of a dramatic shift in the traditional B2B engagement model within the ICT industry towards to a business outcomes driven engagement between organisations and their suppliers and customers. The traditional B2B engagement model is contrary to building external social capital.

The results build on traditional stakeholder theory and provide far greater granularity in terms of how best to manage these types of relationships as well as the nature of these relationships demonstrated through the use of Adler and Kwon's (2002) OMA model. The final outcome of this research indicates strongly that social capital models can thus be leveraged successfully by senior leadership within ICT organisations to ensure that the benefits of social capital accrue to ICT organisations successfully.

## **6.2. Research Question 1: How does external social capital influence organisational competitiveness?**

This question sought to identify the key factors that influence organisational competitiveness as a result of building external social capital. The relationship between social capital and organisational competitiveness is a growing focus based on a need for understanding the role of business networks in enhancing an organisation's competitive advantage (Acquaah, 2007; Wu, 2008).

Resource-based theory claims that organisations achieve sustainable competitive advantage through their ability to leverage and manage effectively distinctive resources (Barney, 1991). People are in a position to generate economic value and create distinctive resources when they engage and build relationships in a co-operative manner on their own accord with the objective of creating mutual value (Freeman et al., 2004).

Given the overall lack of agreement in the literature on what the actual outcome of building social capital is, the data obtained provides insight into the contextual link between external social capital and organisational success in the ICT industry in South Africa. Exploring this question provides an understanding of what potential competitive benefits could accrue to an organisation through investing in building external social capital. In line with the literature, the benefits do appear to be contextual in nature and relevant to the environment in which that company operates in (Adler & Kwon, 2002).

The interviews revealed that there are three specific contributors to organisational competitiveness. These are the benefits of the information flow between organisations and stakeholders, influence (including reputation management) and differentiation as a strategy. According to Adler and Kwon (2002), the effects or benefits of social capital are "information, influence and solidarity" (p. 18). The results from this research indicate that information and influence are indeed contributors to organisational competitiveness but solidarity was not identified as a key contributor to organisational competitiveness in this context.

### **6.2.1. The benefits of information flows to organisational competitiveness**

The benefits of information flows were identified as a key factor in organisational competitiveness by four respondents. This result is low and surprising considering

findings such as those by Wu (2008) who found that information sharing was the key link between the components that make up social capital and firm performance.

The recommendation in practice is that organisations should not only focus on building the substance of social capital but should also ensure that “information sharing between them takes place effectively and smoothly to translate the effects of social capital into concrete competitiveness improvement” (Wu, 2008, p. 141). Wu’s (2008) finding is supported by P1, who linked information sharing with competitive strategy and believes that this translates into business value.

P1 introduced the concept of an organisational ecosystem amongst stakeholders and asserted that a key premise of organisational competitiveness and sustainability is the informational flows that take place between organisations. This is supported by Dyer and Hatch (2006) who stated that an organisation that is in a position to take advantage of established, structured and effective knowledge sharing routines with stakeholders in its network is expected to have a competitive advantage over those organisations without access to knowledge within a strategic network. P1’s response also highlighted that fact that without adequate bi-directional information flows, ICT organisations will find it difficult to survive. P7 confirmed this by stating that is that through information sharing that an ICT organisation can anticipate what solutions their customers may seek in the future. By anticipating what customers will, ICT organisations can increase their competitive advantage.

The fact that only four of the respondents viewed information flows as an important component of organisational competitiveness contradicted the expectation that this would be far higher especially in the ICT industry, which is known for the value that is placed on access to information (Schmidt & Rosenberg, 2014). There is potentially an explanatory clue to this in P3’s response whereby he stated that the relationships that add the greatest value to the company are those that include some form of knowledge exchange and that these type of relationships are not the rule but rather the exception.

From a management practice perspective, the important implication of this is the fact that there is a greater need for by leaders to build structural engagements and relationships that result in information flows that benefit both the organisation and the stakeholder. The fact P3 stated that such relationships are scarce indicates that active information sharing and gathering was a minority activity in this sample and in order for organisations

to realise the full benefit of external social capital, a greater conscious effort is required in this regard.

P1 added the richest practical example of why creating conscious information sharing engagements is so important for managers today in describing how businesses that participate in sharing ideas and information with their stakeholders positively impact their sustainability.

### **6.2.2. The benefits of influence to organisational competitiveness**

Adler and Kwon (2002) referred to a set of benefits arising out of the creation of social capital as power benefits. Influence is one of these benefits and it was seen by all participants in this research as a key component for organisational competitiveness. This confirms that ICT organisations are using influence to positively affect organisational competitiveness through the creation of external social capital with stakeholders.

The reduction in transaction costs was a concept that came through strongly in the results and is listed as an effect of social capital in the literature (Acquaah et al., 2014). It is also aligned with Adler and Kwon's (2002) explanation that these benefits allow organisations to "achieve their goals" (p. 29). The sample defined a reduction in transaction costs as having the influence to effect some form of change on an existing character or organisation where barriers to doing so would naturally exist. Based on the way that this was defined, it made sense to categorise reduction in transaction costs and influence in the same category. P4 summed this up as "the ease of doing business" and said that strong relationships and a high level of trust with a stakeholder, make it easier to do business through a reduction of barriers.

From a supplier perspective, influence is used to ensure better service delivery than what a supplier would normally provide to their customers. Key data to support this includes P2's confirmation of how they leveraged their relationships to improve their service delivery and in fact aimed to get their suppliers to deliver better service than they actual could do directly to a customer, which fits firmly into the influence benefit of social capital (Acquaah et al., 2014). The benefit of influence to organisational competitiveness extends beyond service delivery in the ICT industry, not surprisingly, into influencing the opportunity for organisations to win or retain business. This is not necessarily through a superior product or service alone but rather based on external social capital. P9

confirmed this through the assertion that their organisation's products alone are not enough to retain their customers and that strong relationships between their customers and senior leaders in their organisation had resulted in retaining their clients over the long term.

The data revealed that, in this context, it is not enough for organisations to compete solely based on a product or service alone and that there is a need for external social capital in order to ensure that they secure new and existing business with their customers. P6 contended that individuals are more likely to do business with stakeholders with whom they are familiar and comfortable. While this may be not be conclusive in creating a strong connection between secure new and existing business, P2 confirmed that they spent the most money with the suppliers that they had the closest personal relationships with despite not necessarily being the cheapest. This indicates that external social capital is a key influencer in business in the ICT industry.

Uzzi (1997) contended that the result of optimal relational social capital is a shift from an opportunistic mindset in a relationship to one of trust and co-operative behaviour. This shift from an opportunistic mindset in the stereotypical salesperson sense towards a relationship of trust and co-operative behaviour appears to be a key influencer in why customers would decide to buy from one company as opposed to another.

The co-operation in ensuring that there is mutual benefit to both the ICT organisation and the stakeholder is an important link. Product and pricing strategies should not necessarily be the only key components of an ICT company's strategy. Optimal social capital with external stakeholders appears to be another ingredient required in order for organisations to be successful in securing new and existing business with their customers.

Reputation management was another result that was highlighted in the findings. This concept also falls under the category of the power benefits (Fang et al., 2011) and from the results is associated with having a strong bearing on an organisation's success. P7 highlighted this through directly linking the impact of a poor reputation and the monetary losses that are associated with it.

This indicates that in the ICT industry, it appears as though it is not enough to have superior products and competitive pricing but that customer's purchase based on their perception of an organisation. Customers appear to care about what an organisation

stands for and will purchase based on this. P11 summed this up powerfully by linking reputation and success and contended that being palatable through good governance and strong leadership is an important component in creating success for an organisation.

It was also found that the way that companies use their influence externally with stakeholders extends beyond increasing sales. Optimal social capital has numerous additional benefits to an organisation (Acquaah et al., 2014) and these benefits have come through strongly in the results. All the participants viewed influence as a key ingredient in the success of their organisations as whole.

Building external social capital can result in the ability to influence one's customers and suppliers in a positive or negative manner. There is evidence in the research of ICT organisations using social capital to their advantage as part of a differentiation strategy. An organisation has a competitive advantage when focusing on "implementing a value creating strategy not simultaneously being implemented by any current or potential competitors" (Barney, 1991).

The results indicated that none of the organisations surveyed were attempting to compete on product or pricing alone. P9 referred to their product as being relatively generic. Social capital in this case was used as part of a differentiation strategy in being able to "deliver better than [the supplier] would be able to" in the case of P2, and ensuring the organisation was more authentic in the eyes of the customer in the case of P9.

Ultimately, ICT companies are using social capital as part of a differentiation strategy and influencing their customers and suppliers in order to create success for their respective organisations. Given that relationships form the basis for competitive advantage, a formal structure or framework for creating and measuring social capital should then be considered as part of an organisations strategy. This is relevant to the research in that Adler and Kwon's (2002) OMA model may indeed be one such framework for ICT organisations to adopt.

### **6.2.3. The benefit of solidarity to organisational competitiveness**

Solidarity is one of the benefits as a result of the goodwill that is created through social capital (Adler & Kwon, 2002). Solidarity was not identified by any of the participants as

an important benefit of external social capital. There may be several reasons for this result that need to be explored in further detail.

Firstly, there may have been methodology limitations in the research instrument that caused this result. This is thus identified in Chapter 7 as requiring future research.

Secondly, it may be as a result of the design of this research in that the focus was purely on external stakeholders to the organisation and especially customers and suppliers. Potentially, if the structure examined inter-organisational rivalry between ICT companies, solidarity may have come through in the results as this is likely where one would see co-operation.

Thirdly, it may be as a result of the ICT industry structure in South Africa and its oligopolistic nature. Having few companies in the ICT industry may result in there being little need for compliance with local rules and customs. Formal controls are in place already in the form of bodies such as The Competition Commission of South Africa and other regulatory institutions.

Finally, the fact that solidarity as a contributor to organisational success was not identified by the sample could indicate that this is simply not a factor for ICT organisations in South Africa. In the face of such evidence, the conclusion made is that solidarity as a resulting benefit of social capital is not a contributing factor to organisational success in the ICT industry in South Africa.

#### **6.2.4. Conclusive findings for Research Question 1**

There are numerous benefits to external social capital creation. Acquah et al. (2014) have identified such benefits in their construct of value creation as a result of external social capital creation. These include transaction cost reduction, sales growth, reputation enhancement, employment growth and gaining valuable employees, new customer obtainment, sustainability achievement, mitigating effects of poor strategic decisions, increasing share value and socio-economic development.

While the benefits of external social capital creation are clear in terms of Adler's (2002) classification into informational benefits, power benefits and solidarity benefits, the translation of these into organisational value and subsequent advantage is difficult to

quantify especially from a purely monetary perspective (Acquaah et al., 2014). The results from this research indicated that both information flow and power benefits are key ingredients in organisational success with the ICT industry in South Africa.

Solidarity has not been identified as a being key to organisational success. This has management practice implications to ICT companies as mentioned previously both from an information sharing perspective as well as from an influence perspective for the organisation.

Overwhelming confirmation from this research is that the power benefits of external social is vital to organisational success and that ICT organisations seek to use this as part of a differentiation strategy as opposed to leading solely with a product or pricing strategy. This has profound management implications in that organisations should then be seeking to leverage a social capital framework as part of their strategy.

The fact that information flow benefits were not seen as being overwhelmingly critical to organisational success is an interesting finding and contrasts to Wu's (2008) suggestion that information flows are key in order for social capital to be turned into a competitive advantage. This may point to a recommendation that ICT organisations in South Africa should be looking at their interactions with external stakeholders differently and aiming to extract as much value out of these interactions by looking a more structured approach to information – both from a receiving and sharing perspective.

### **6.3. Research Question 2: Does Kwon and Adler's (2002) Opportunity-Motivation-Ability (OMA) model hold for enabling organisational competitiveness from an external social capital perspective?**

Research Question 2 firstly attempted to understand if the OMA model did indeed hold true as a model for social capital creation for the ICT industry within South Africa and, secondly if so, what the key factors were that influenced the three pillars of this model.

The OMA model has proved to be a useful tool for understanding the presence or absence of social capital within an organisation (Adler & Kwon, 2002). Adler and Kwon proposed what they termed "a folk schema" in 2002 and then subsequently again in 2014 as the source of social capital being made up of opportunity, motivation and ability (OMA) (Adler & Kwon, 2002, p. 24; Kwon & Adler, 2014). They contended that this model had

not been used widely since they proposed it in 2002, however they reiterated that in order for social capital to be active, all three sources must be present.

This questions also aimed to build on the traditional stakeholder view of an organisation and to provide greater granularity in the how best to manage relationships. It further sought to understand the nature of optimal relationships with stakeholders using the OMA model (Freeman, 2010).

### **6.3.1. Opportunity**

All participants identified factors within the opportunity construct of the OMA model as being important contributors to external social capital creation. Adler and Kwon (2002) defined this construct from a network perspective and referred to “an actor’s network of social ties creates opportunities for social capital transactions. External ties to others give actors the opportunity to leverage their contacts’ resources” (p. 24). Opportunity is thus understood as the structural dimension of social capital and as the network of relationships that enable an opportunity for social capital to be created (Adler & Kwon, 2002; Kwon & Adler, 2014).

There were significant elements within the opportunity construct that were identified as being important. P1 described an organisation that is actively “participating in an ecosystem of a variety of stakeholders” as being important to the success of that company and that possessing a strong network was “arguably the single biggest asset” for an organisation (P4). This supports the literature outlined in Chapter 2, which refers to the position of an organisation within a network and how that ultimately influences the quantity and nature of the resource flows to an organisation (Burt, 1997).

While participants within the sample viewed a network as an important asset to an organisation, there appeared to be little consensus as to the right strategy in which to get the optimal benefit from the network and by virtue of this create the opportunity for external social capital. Just over half of the participants viewed executive engagement or executive sponsor programmes as being important. Executive sponsorships programmes were defined by P1 as “executives that give their time outside of their specific roles, that then build and utilise their business relationships to advance the cause of [the company] with very specific clients”. P10 viewed this type of strategy as being

important because the “*client feels they’ve been given the level of respect that is required*”. P3 admitted that this is not done “scientifically” but that such programmes are “formalised”.

The results also indicated that the structure of an organisation’s network is incredibly important and that building the breadth and depth of relationships is vital to enabling external social capital. This is supported by Burt (1997) who confirmed that in turn the quantity and nature of the benefits of social capital to an organisation is influenced. P9 confirmed this in asserting that their strategy within their customer’s organisations is to build depth and breadth of relationships. P3 also confirmed that it is important build breadth of relationships within customer’s organisations in reference to technology adoption cycles and how different people within one’s network would be more responsive to certain products or services.

The results revealed that a structured approach was lacking in terms of creating an optimal opportunity for organisations to realise external social capital. All participants mentioned elements that form the foundation of the opportunity construct on the OMA model however, the results were not consistent and none of the respondents confirmed that they had a formal and structured approach to this.

Given the results of Research Question 1 and the fact that companies appeared to be using external social capital as a form of differentiation strategy, it is thus important to ensure that that companies adopt a formal and structured approach to creating the opportunity for social capital and for organisational competitiveness to be impacted positively as a result. The recommendations for how to address this practically will be outlined in Chapter 7.

### **6.3.2. Motivation**

Resources that have the potential to benefit an organisation can only become available if there is motivation to share these resources accordingly (Kwon & Adler, 2014). Thus an understanding of what motivates individuals to transact resources or help others despite the uncertainty of immediate returns is key and forms the motivation element of the folk schema proposed by Adler and Kwon (2002).

The purpose of this question was to understand whether the motivation construct was a key source of social capital and what the specific factors are that contribute in this context. All participants identified factors that make up the motivation construct in their responses. The key themes included trust (which included integrity and transparency), credibility, business value co-creation, consistency and a long-term view of the relationship.

Within the OMA model, trust was seen as a key motivational source of social capital (Adler & Kwon, 2002). Trust was identified by nine participants as being important to social capital creation. P8 related trust to a long-term view of the business relationship and asserted that building trust over the long term can only result in an organisation's success.

Trust refers to the belief that an individual or organisation will act beneficially because there is genuine care in the relationship (Jonsson & Lindbergh, 2013). From the results of this research, it was found that trust forms the basis upon which the motivation construct is formed and without it, social capital cannot be created. It is one thing to have the network and thus the opportunity to form social capital but without trust being present in this relationship, social capital would not materialise. P6 confirmed this by referring to trust, respect, transparency and honesty being the foundation and building blocks of a good relationship.

In this context, it appears that trust is built on transparency, respect and honesty with external stakeholders. This was evident in the responses to this research, however it was not widely referred to in the literature.

Examples of successful delivery in this context are projects being delivered successfully in the face of complexity, operational issues or outages. There is little doubt that while stakeholders may "go through hell together to come out the other side" (P2) How companies respond to these types of issues is fundamentally important in order to develop trust and credibility. P2 commented on a link between responding positively in difficult times and the effect on relationships, especially when handled with respect and integrity.

Organisations should not underestimate the ability to leverage successful delivery as a means of building trust and thus to create the motivation for customers and suppliers to allow for social capital to be created. P10 succinctly summed up this contributor to the

motivation construct by saying that “delivery is your best salesperson”. There are powerful practical implications of this that will be discussed in Chapter 7.

The results also revealed that the willingness to co-create collective goals, find a common purpose or create business value for both parties was a key to building solid relationships. This is a component of the motivation construct of the OMA model as proposed by Adler and Kwon (2002). An overwhelming 10 out of the 11 participants in the research cited this factor as being important in the creation of external social capital in the ICT industry. This is an important confirmation of the dramatic shift in the ICT industry from B2B engagement models with customers and suppliers towards delivering actual tangible business outcomes (Wood et al., 2013).

P6 confirmed that in order for ICT organisations to be competitive, it is important to be relevant to their customers. P6 further commented that this was not necessarily the case historically but that there had been a fundamental shift in this regard at the time.

Generating business value is important in any relationship with external stakeholders. It is worth understanding what constitutes this value and how ICT organisations can leverage it. According to P2, this can be achieved one shows if a “high level of interest in the other person’s business and in their priorities and pains and the reasons for their successes”. P4 supported this by saying that one needs to “understand the partner or the clients’ objectives, goals, pain points, challenges”.

The importance of understanding an external stakeholder’s business objectives is clearly stated in the data. Once an ICT organisation understands what these are clearly, they are in a position to provide a solution to address this for the client or supplier. P11 provided the example of proactively completing business cases to ensure that they were saving customer’s money. Cost savings is an example of the business outcome that P11 referred to.

Finally, the element of time and taking a long-term view of relationships in reaping the benefits of social capital came through in the results. Adler and Kwon (2002) referred to this as building social capital with no certainty of immediate returns. “Like other forms of capital, social capital constitutes a form of accumulated history here reflecting investments in social relations and social organisation through time” (Nahapiet & Ghoshal, 1998, p. 257).

P8 provided a standout interview in terms of the motivation construct for two main reasons. Firstly, he was the most senior person interviewed out of the sample being group chairman of his organisation. Secondly, it was the shortest interview at 25 minutes given that this individual had limited time available. However, the data received from this interview was incredibly powerful and is centred on this concept of looking at relationships from a long term perspective. Out of the eleven participants, only three highlighted this concept as being critical to building external social capital. P8 advised that when organisations look to build relationships, a requirement in order for this to be truly successful is a strong long term view of the relationship as opposed to short term gains.

### **6.3.3. Ability**

If the benefits of social capital are generated through an organisation's network and quality of relationships, the extent of the potential benefits is related to the other organisations' abilities to provide these benefits (Kwon & Adler, 2014). This concept speaks to ensuring that external social capital is built with the right stakeholders that are in a position to provide the benefits of the relationship that has been built.

The purpose of this question is to understand whether or not ability is a contributing factor to external social capital creation and if so, what the specific factors are that contribute to this context. The opportunity and motivation to create social capital is of paramount importance, however without the actual ability to derive value from organisational or individual networks, social capital cannot be created or will be of little use. Ability thus forms the final element of the sources of social capital that was proposed by Adler and Kwon (2002).

Eight participants identified elements that made up the ability construct in their responses. The main concept that came through strongly was organisational hierarchy and its influence on external social capital in the ICT industry.

Organisational hierarchy is unsurprisingly a concept that came through strongly and P1 captured the sentiment in stating that organisations "want to ensure that you engage firstly with the right people at the right levels". The rationale behind is that by building a relationship with "people at the right levels", an organisation's ability to receive the

benefits from social capital creation (i.e. information flows and influence as per Research Question 1), is more likely to take place.

The results highlighted the level of resources required to invest in building social capital, such as time, and thus it is important that when one takes the time to do so, it is with the right individuals at the right levels in the organisation. Social capital is more likely to be generated and the benefit will be far greater if the other party in the relationship possesses “qualities, skills, and know-how that are complementary to their own and relevant to solving the particular problem or objective at hand” (Kwon & Adler, 2014, p. 417).

The literature typically gave the view that social capital is formed in isolation (i.e. with one person or within one function). From the results, it is evident that social capital in the ICT industry is required to be built across multiple levels and people primarily in large organisations. This is due to the multiple decision making layers and it should be implemented not necessarily from a typical hierarchical perspective but horizontally because key influencers may exist across the organisation. P9 summed this up nicely by commenting that in organisations, people often change roles as well as the fact that often, no single individual is the final decision maker. Understanding the influencers and decision makers within a customer’s organisation allows for a greater opportunity for social capital to be created.

#### **6.3.4. A new concept to complement the OMA model**

One of the benefits of using this research design is the fact that there is great richness that comes through in the real world examples reflected in the data. A concept that came through strongly during analysis is how the various organisations built social capital from a practical perspective. While it could be argued that these concepts could be categorised into the existing OMA model, the richness of the detail is worth mentioning in this section.

The OMA model appears to be one dimensional in that it can be interpreted that social capital is built primarily at an individual level. From this research, there is evidence that points to the need for more attention to be placed on the opportunity side of the model. Stakeholders should not be limited to interacting with one or two individuals but rather

they should be exposed to the broader organisation and the culture. Hitt and Duane (2002) alluded to this by saying that leaders must be able to appropriately integrate the external social capital residing outside of their organisation with the organisation's internal social capital (Hitt & Duane, 2002).

P9 explained how their organisation sought to create optimal social capital between organisations through the use of structured and yet informal social gatherings on a monthly basis. P9 further explained that through the type of engagements, stakeholders were able to get a more authentic view of the organisation as opposed to purely dealing with a sales person as an example.

This was supported by P11, who commented on the incorrect assumption that there is only one owner of a particular stakeholder relationship and believe that's successful relationships are those where there are multiple relationships between the different organisations. P3 added to this by commenting on the fact that leaders within these organisations needed to be humble enough to recognise that relationships exist between companies and not individuals

This concept adds depth to the OMA model and moves social capital creation away from being a leadership activity at an individual level towards ensuring that external stakeholders are exposed to the organisation as a whole. Ensuring that this takes place appears to create optimal social capital for the organisation as a whole.

### **6.3.5. Conclusive findings for Research Question 2**

Research Question 2 aimed to test whether or not the OMA model did indeed hold true as a model for social capital creation for the ICT industry within South Africa. It also attempted to understand what the key factors were that influenced the three pillars of this model being opportunity, motivation and ability. Having only one or two of the elements, be it opportunity or motivation or ability, is simply not enough and thus the OMA model in its entirety appears to be important. The data revealed that eight of the respondents identified criteria in all three of the individual constructs. The results from this research demonstrated that in the ICT industry in South Africa, all three elements are important to building external social capital with suppliers and customers in order to influence organisational competitiveness.

The implications for management practice is that while both literature and majority of the respondents confirmed that creating the right network and thus the opportunity for external social capital is necessary, few of the respondents confirmed approaching this in a structured manner. The recommendation in practice is that senior leaders need to ensure that they employ a structured approach to their stakeholders and subsequent network. Without this approach, there is little certainty that an organisation can optimise external social capital.

In order to create the right environment and motivate individuals within the network to build social capital, trust and bi-directional value are the foundations of a healthy relationship. It is through this lens that the value of social capital models is evident and the shift away from traditional B2B supplier and customer engagement models towards delivering true business outcomes for both parties is revealed. Furthermore, unless both parties view relationships in the context of a long-term engagement, the effects of external social capital will not be optimised.

Without the ability of stakeholders within the engagement to be in a position to create external social capital, competitive advantage will not be sustained. Key to this finding from a management perspective is that managers need to oversee corporate governance and organisational hierarchy appropriately in order to realise the benefits of social capital. The necessary planning associated with social capital creation must ensure that it addresses these elements.

The final management implication to arise from this question is that an element of external social capital can be created sustainably through organisations and not simply through individuals alone. It remains of vital importance that external stakeholders build trust with the organisation as a whole and not only with senior leaders or sales persons. The results indicate that often this is as a result of socialising or interacting in an informal setting. Exposing suppliers to greater parts of the organisation is an important way to create optimal social capital.

Russo and Perrini's (2010) suggestion is that while stakeholder theory gives organisations the ability to understand the relevance and legitimacy of their stakeholders, it does not necessarily give guidance to how those relationships should be managed, the nature of those relationships or the sustainability of those relationships. The OMA model ensures that guidance is absolutely given in how the relationship should be managed as well as providing insight into the nature of the relationship. It is this contribution that

warrants future research but the suggestion as a result of this research is that social capital models may complement stakeholder theory by providing the insight required in order to realise the true benefits of stakeholder relationships.

#### **6.4. Research Question 3: What are the necessary leadership qualities required in order to build external social capital?**

The purpose of this research question was to explore and to understand what the specific leadership qualities are to support the building of external social capital for an ICT organisation considering the importance of leadership in this equation based on the literature. Social capital formulation is directly related to the efforts of individual leaders and the relationships that have been built with key stakeholders (Hitt & Duane, 2002). Individual leadership is also based on accomplishing goals through the use of relationships and thus social capital is crucial to good leadership (Brass, 2001). The key qualities identified in this research included integrity, commitment to the principles of building relationships, humility and consistency.

Integrity was identified as a quality by five participants as being important to building external special capital with stakeholders. Maak and Pless (2006) suggested that, given the complexity of social capital and the diverse nature involved in organisational networks and managing their expectations, “a versatile leader with social and ethical intelligence” is required (Maak & Pless, 2006, p. 340). This supports the finding of integrity as a key quality that has come through in the results and in fact P9 contended that integrity was one of the top five qualities that you look for in a leader. Integrity is thus an important leadership quality to building external social capital.

In order to be effective at creating external social capital, Hitt and Duane (2002) stated that leaders must have strong interpersonal skills and a strong relational competence. Based on this, it is important to understand what these specific interpersonal skills are. Qualities that were identified in the data included the ability to “speak multiple languages”, “someone who draws energy from others”, “someone who is likeable”, “committed to the cause of building relationships” and finally someone who gets “energised” from building relationships. All of these factors contribute to a leader who has strong interpersonal skills, a strong relational competence and a commitment to the principles of building relationships.

Humility is another key leadership quality that was reflected in the results. Maak and Pless (2006) identified with a leader who is a humble networker and mediator who “engages herself amongst equals” (p. 104). Over half of the respondents cited humility as a key leadership quality in building long term and sustainable relationships. P4 supported Maak and Pless’s description by saying humility and putting “yourself in that persons shoes” is key to building social capital.

Additional consideration from a humility perspective included support for the complementary concept for Research Question 2 regarding the need for social capital to exist between organisations and not at an individual level and having the humility to recognise this.

Finally, consistency in one’s approach to external stakeholder relationships was shown to be an important aspect of building trust. Consistency in a leader’s approach towards external stakeholders demonstrates commitment to the principles of building social capital as outlined in the OMA model in Research Question 2. As an example, if an organisation commits to delivering a product or service that results in a business problem being addressed, the connection between what is being promised and what is delivered is a consistent message.

Trust then appears to result from this process. To complete the connection between consistency as a leader and trust, this type of trust needs to be centred around the premise and understanding that the relationship will lead to collective and balanced value creation (Brass, 2001; Hitt & Duane, 2002; Maak, 2007). In other words, should one party not deliver on the principles of external social capital creation, trust will not result. P1 supported this by saying that being consistent with stakeholders is a prerequisite for building trust.

#### **6.4.1. Conclusive findings for Research Question 3**

Research Question 3 set out to understand and identify what the specific leadership qualities are to support the building of external social capital for an ICT organisation considering the importance of leadership in building social capital based on the literature. The findings of this research have shown that the key leadership qualities associated with building external social capital with stakeholders includes integrity, humility, commitment to the principles of building relationships, consistency and self-awareness in one’s approach.

The results of this research question have important management practice implications in that people create economic value through building relationships in a manner that is cooperative and with the ultimate objective of generating value of both parties (Freeman et al., 2004, p. 364). Relationships that result in economic value are ultimately created by people. Through a better understanding of the specific qualities that leaders should possess is of great practical value for managers. Qualities such as integrity, humility, self-awareness and consistency came through strongly in the results.

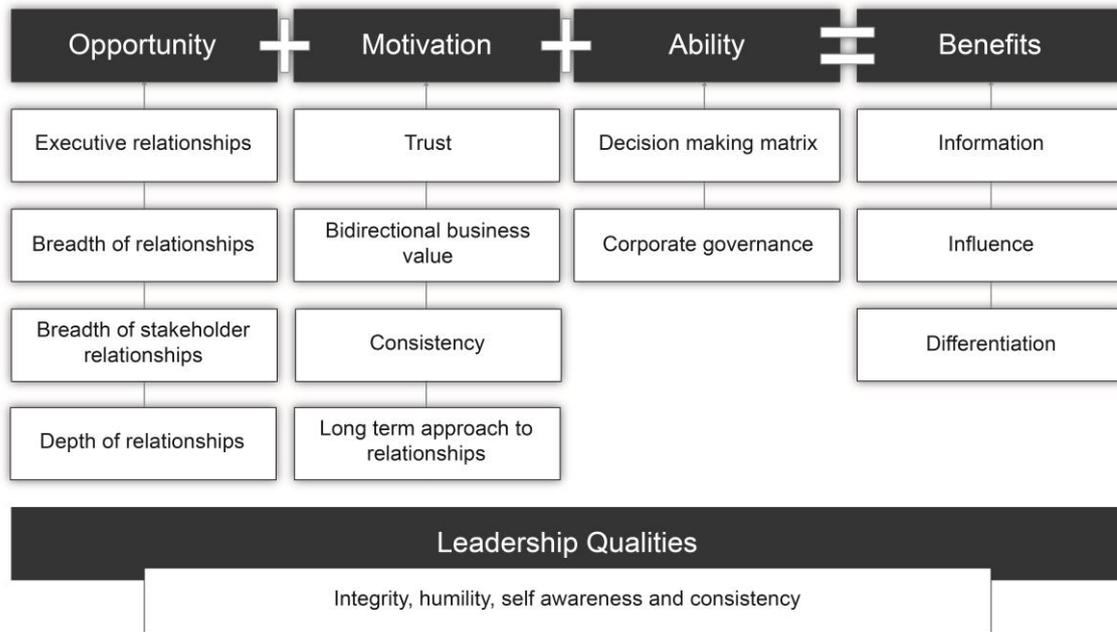
### **6.5. A contribution to the 'OMA' model: social capital creation in the ICT industry**

The 'OMA' model was a result of the contribution of Adler and Kwon (2002) to the field of social capital research. Taking the results from this research into account as well as Adler and Kwon's contribution, the author has proposed complimentary findings to the model as discussed in this chapter. The result of this is a model that represents the 'OMA' model as well as the findings from this research that have not yet been identified widely in the literature to date.

Practically the model outlines the need for all three factors to be considered in the social capital creation process which include 'opportunity', 'motivation' and 'ability'. Furthermore the key factors that contribute to each of these are indicated based on this research are represented vertically in the model. There is then a clear indication of the expected benefits as a result of social capital creation. Leadership in this process has also been clearly identified as being integral to social capital creation and is included as part of this model running across all aspects of the process.

From a management practice perspective, this model can be used by leaders within organisations when engaging with stakeholders with the intent of creating social capital. It is hoped that this model can contribute to management practice and organisational competitiveness as a result thereof.

**Figure 2: A model for social capital creation in the ICT industry**



## 6.6. Conclusion

This research has attempted to understand in greater detail the key factors that result from the creation of external social capital and how they contribute to organisational competitiveness in the ICT industry. Social capital has been confirmed in this research as being a factor in assisting ICT organisations to be more competitive. Furthermore, there are specific factors that contribute to this competitiveness and these have been identified in greater detail through this research.

The OMA model as proposed by Adler and Kwon (2002) was described by the authors as having “not been prominent in the subsequent management literature on social capital” (Kwon & Adler, 2014, p. 413). B2B engagements in the ICT industry are commonplace and an understanding of what it is about that characterises successful engagements and contributes to organisational success was sought by the researcher.

Contemporary literature indicated that traditional B2B engagement models are becoming increasingly irrelevant and that delivering business outcomes for customers is of far greater importance in the digital age (Wood et al., 2013). Thus the second objective of this research was to test the validity of this model in the ICT industry. The research also

sought to add to stakeholder theory by attempting to gain greater understanding of the nature of the specific relationships with stakeholders as well as to provide guidance on how best to manage these relationships for optimal value creation. Finally, leadership and the role that leaders need to play in building external social capital was also explored.

The findings have important management practice implications for both the ICT industry as well as other industries involved in current B2B engagement models.

A summary of the discussion of the results has revealed the following:

- Social capital is understood to be a contributing factor to organisational competitiveness in the ICT industry. The primary factors that result from positive external social capital that contribute to this include the flow of information between organisations, the influence social capital has on organisations and finally how social capital can be used as part of a differentiation strategy for ICT companies.
- Active information sharing between organisations was shown to be a minority activity and of less significance to the participants in this sample. A management implication as a result of this finding is that in order for organisations to realise the full benefit of external social capital, a greater conscious effort is required to create a structured approach to information sharing between organisations.
- ICT organisations build social capital with the objective of using it to influence stakeholders. This forms a part of the power benefits of external social capital. The way that these organisations use their influence externally with stakeholders extends beyond increasing sales to reputation management, service delivery and retention of existing business.
- ICT organisations appear to be using external social capital as a differentiation strategy. An organisation is understood to have competitive advantage over similar organisations when it is seen to be “implementing a value creating strategy not simultaneously being implemented by any current or potential competitors” (Barney, 1991, p. 102). The creation of external social capital appears to be one mechanism in which ICT organisations are seeking to create a competitive advantage. The results indicated that none of the organisations surveyed are attempting to compete on product or pricing alone. Social capital in this case appears to be used as part of a differentiation strategy whether it be for service delivery or simply appearing to be a more authentic organisation. The

management implications of this are profound in that if ICT organisations are seeking to gain a competitive advantage through relationships, a structure and mechanism for measuring progress is important. This points to the fact that external social capital models may be relevant as part of their strategy.

- Solidarity as a contributor to organisational success was not identified by the sample and this could indicate that this is simply not a factor for ICT organisations in South Africa. Limitations to this conclusion have been discussed in this chapter.
- The OMA model proposed by Adler and Kwon (2002) is a valid model for ICT organisations from an organisational competitiveness perspective and all 11 participants in this research confirmed this.
- An organisations external network in terms of the connections that it creates with its stakeholders is seen as a valuable asset. There is little consensus on the correct strategy in order to build an optimal network of connections. Executive involvement and engagement with external stakeholders is seen as one mechanism of creating the best possible opportunity for social capital to be created. The breadth of an organisation's network as well as the depth of relationships with external stakeholders is seen as being important contributors to the opportunity construct of the OMA model.
- The ability to build trust, credibility in delivery, business value co-creation, consistency and a long-term approach to relationships are seen a key factors that motivate external stakeholders to transact and share the benefits of social capital in the ICT industry. Traditional B2B engagements within this sector appear to be increasingly irrelevant with customers expecting the delivery of customer-centric business outcomes through their engagements with ICT suppliers. It is only through the presence of these factors that the motivation for social capital to be generated and sustained exists.
- Organisational hierarchy and corporate governance are seen as key factors that would influence the ability to generate and transact the benefits of external social capital. Importantly, social capital in the ICT industry is required across multiple levels in large organisations based on the fact that key influencers exist vertically as well as horizontally within organisational structure that could impact the flow of social capital.
- The true benefits of social capital are realised when it is built between organisations and not solely between individuals. The ownership of relationships

should not primarily sit with one individual and the results demonstrate that the benefits of social capital are realised when external stakeholders are exposed to the broader organisation and not simply senior leadership or the sales function. This has not been documented widely in the literature but came through strongly in this research. This adds depth to the OMA model.

- Adler and Kwon (2002) stated that all three elements of the OMA model need to be present in order for social capital to be created. This research agrees with that statement based on the findings from the research that indicate that eight participants identified all three elements as needing to be present.
- External social capital creation is as a result of individual leaders actively building relationships with key stakeholders (Hitt & Duane, 2002). Thus leadership is required to build external social capital for an ICT organisation. The key leadership qualities required to achieve this were identified in this research and include integrity, commitment to the principles of building relationships, humility and consistency. The results of this research have important management practice implications. Relationships that yield economic value are created by people and thus understanding the specific qualities that these individuals and leaders should possess is of huge practical value. Qualities such as integrity and humility came through strongly in the results and indicated that if an organisation is serious about creating social capital within its stakeholder network, it should be engaging and employing individuals who possess these qualities in the engagement with stakeholders.

External social capital generating activities are being performed by ICT organisations in their engagements with customers and suppliers either consciously or subconsciously. Relationships between organisations are vitally important to the success and organisational competitiveness of ICT companies.

Despite this there was no evidence in the research acknowledged that the participants were executing against a specific social capital creation model. What is evident from Chapter 2 and Chapter 5 is that social capital creation is taking place in the ICT industry and a structure to formalise it and ensure that the benefits are realised would be beneficial.

This research has supported Adler and Kwon's research in 2002 and 2014 and has found that ICT organisations appear to be using external social capital in order to differentiate

themselves from a competitive perspective. Social capital creation needs to take place between organisations and not individuals. Furthermore, there is confirmation in the results that the traditional B2B engagement model in the ICT industry is becoming increasingly irrelevant in practice and that customers are expecting greater business value to be delivered.

This research paper concludes with Chapter 7. The chapter will summarise the findings key findings of this research, offer recommendations for management practice as well as future research suggestions.

## CHAPTER 7: CONCLUSION

### 7.1. Introduction

This chapter summarises the findings of the research, and assesses whether the research objectives have been met. The chapter highlights contributions made to the existing academic literature, offers recommendations for management practice, and concludes the chapter with recommendations for future research.

### 7.2. Summary of the research objectives

The aim of this research has been to explore and understand the role that external social capital plays in B2B relationships in the digital age. Strong relationships with external stakeholders that result in social capital are widely recognised as being key to organisational success. Business leaders commonly refer to the value that is derived from such relationships. This has been established both in the literature as outlined by Ford and McDowell (1999) and Dyer and Hatch (2006) as well as in the results of this research. However measuring this value as a tangible asset and determining its return on investment has remained unclear

B2B engagements in the ICT industry are commonplace and an understanding of what characterises successful engagements and contributes to organisational success was sought by the researcher. Operating as a business in the digital age has its challenges and maintaining competitiveness in this era is becoming a necessity for businesses.

This study has argued that the relationship between social capital and organisational competitiveness is a positive one based on the role of stakeholder networks in enhancing an organisation's competitive advantage. Social capital as an important element in B2B engagements for enabling that much needed competitiveness understood as a result of this research.

This research set out to answer three research questions, namely (i) how external social capital influences organisational competitiveness in the ICT industry, (ii) whether Kwon and Adler's (2002) OMA model has value in enabling organisational competitiveness from an external social capital perspective, and (iii) what the necessary leadership qualities required in order to build social capital are.

### 7.3. Principle findings

The principle findings of this research indicate that social capital is an important contributing factor to organisational competitiveness in the ICT industry. The primary benefits that result from positive external social capital include the flow of information between organisations, the power benefits which includes influence on stakeholders that result in ICT organisations being able to achieve their goals and the facilitation of a competitive differentiation strategy from competitors in the eyes of their customers.

An organisation is able to create a competitive advantage when it executes on a strategy that results in value and at the same time is not being replicated by any of its competitors (Barney, 1991). The creation of external social capital appears to be one mechanism in which ICT organisations are seeking to create a competitive advantage. The results indicate that none of the organisations surveyed were competing on product or pricing alone. Social capital appeared to be used as part of a differentiation strategy whether it be on service delivery or simply appearing to be a more authentic organisation.

Ultimately, the results showed that ICT companies are using social capital as part of a differentiation strategy to influence their stakeholders and outperform competitors. The management implications are that if ICT organisations are seeking to gain a competitive advantage through relationships, a structure and mechanism for measuring progress is important. This points to the fact that external social capital models may be relevant as part of their strategy.

The OMA model was found to be a valid model for ICT organisations from a competitiveness perspective. Adler and Kwon (2002) stated that all three elements of the OMA model need to be present in order for social capital to be created. This research agrees with that statement and the results support this.

The true benefits of social capital are realised when it is built between organisations and not solely with individuals. This was an important finding in that the literature does distinguish between the two. The ownership of relationships should not primarily sit with one individual and the results demonstrate that the benefits of social capital are realised when external stakeholders are exposed to the broader organisation and not only senior leadership or the salespeople. This has not been documented widely in the literature but it is a finding that came through strongly in this research.

Traditional B2B engagements within the sector appear to be increasingly irrelevant with customers expecting the delivery of customer-centric business outcomes through their engagements with ICT suppliers. This finding supports Adler and Kwon's (2002) motivation construct of the OMA model. The ability for ICT organisations to create bi-directional value with stakeholders through addressing business outcomes as opposed to the traditional B2B relationship adds to the longevity and success with that stakeholder. The ability to build trust and credibility, conduct business with consistency and assume a long-term approach to relationships are seen a key factors that motivate external stakeholders to transact and share the benefits of social capital with ICT organisations.

Leadership is also critical to social capital creation with stakeholders and is an important component in the social capital construct due to the fact that social capital can only be created by people. External social capital creation is usually the result of individual leaders actively building relationships with key stakeholders (Hitt & Duane, 2002). Interpersonal qualities are thus required in order to build external social capital for an ICT organisation and this research focused on detailing integrity, commitment to the principles of building relationships, humility and consistency.

#### **7.4. Implications for management practice**

The results from this research contribute to management practice by providing a much deeper understanding of how to create external social capital with stakeholders through the use of the OMA model. The use of a social capital model when engaging with stakeholders is important because it provides a working structure on how best to engage to yield the necessary benefits from the relationship.

All three factors of the OMA model need to be present to ensure that the benefits of social capital are realised, which is important for managers to recognise in their engagements with external stakeholders. A practical example of this would be to ensure that the opportunity is created for social capital to be built by actively building relationships across areas of a stakeholder's organisation that are impacted by the goal of that ICT organisation.

In addition to this, motivation must be created for that external stakeholder through bi-direction value creation or the achievement of both parties' goals in this engagement. Finally, the ability for social capital benefits to be exchanged is created by ensuring that

the actual decision makers are aligned to what you as an organisation is trying to achieve. By ensuring that this takes place, the benefits of external social capital will be realised.

The benefits of social capital creation include the flow of information between organisations, the power benefits which includes influence on stakeholders that result in the achievement of goals and finally as part of a differentiation strategy for ICT companies (Adler & Kwon, 2002, Acquaah et al., 2014). Active information sharing between organisations appears to be a minority activity and in order for organisations to realise the full benefit of external social capital, a conscious effort is required by managers to create a structured approach to information sharing between organisations.

External social capital creation can result in differentiation from a competitiveness perspective. The management implications of this are profound in that if ICT organisations seek a competitive advantage through relationships, a structure and mechanism for measuring progress is important. The true benefits of social capital are realised when it is built between organisations and not solely with individuals.

This recommendation for managers is important as the ownership of relationships should not primarily sit with one individual but with all stakeholder-facing employees. The results demonstrated that the benefits of social capital are realised when external stakeholders get exposure to the broader organisation.

When it comes to leadership and the qualities required to build social capital, this research identified important management recommendations. Qualities such as integrity and humility were highlighted. If an organisation is serious about creating social capital within its stakeholder network, it should be using individuals who possess these qualities in the engagement with stakeholders. Additional qualities identified include commitment to the principles of building relationships, consistency and self-awareness in one's approach to building stakeholder social capital.

## **7.5. Limitations of the research**

There were several limitations that arose during the research. Firstly, the sampling method chosen in this case was non-probability and purposive sampling and by its nature did not represent the population statistically and so the results cannot be reliably applied

to the population as a whole (Saunders & Lewis, 2012). Furthermore, the size of the sample was small and may have had an impact on the validity of the data collected. The sample was however exclusively comprised of C-level and executive leaders. Their knowledge, skill and expertise added significant validity to the results. Although the sample size was small, the participants' seniority compensated for any limitations in the sample size.

Additional limitations of this research included surveying a relatively small number of ICT companies as part of the study. This could have resulted in a bias of the results towards the one particular company and could result in a lack of representativeness of the population. Finally, the researcher is also in the employment of one of the companies surveyed, which could have also resulted in a bias in the interpretation of the results.

### **7.6. Suggestions for future research**

Suggestions for future research include a more representative sample of the population from a demographic perspective which should aim to achieve greater representation across genders and race. Furthermore, individuals from a greater variety of ICT organisations could be added to ensure that the sample is more representative of the population.

Solidarity was a key benefit of social capital outlined in the literature that was not identified in the results of this research. It would be worthwhile to explore this benefit in the context of ICT companies.

The relationship between stakeholder theory and social capital is another future research suggestion. Parmer et al., (2010) argued that there is a need for more detailed conceptual models than stakeholder theory for creating as much as value as possible while understanding the nature of relationships between firms and stakeholders.

The suggestion made was that organisation behaviour theory, which includes social capital, might be best equipped to answer these issues. While this research demonstrated the benefits of social capital with external stakeholders, further research is required to understand the benefits of one theory over another. The benefits of this to an ICT organisation would be a greater granular understanding of how best to manage the intricacies of these relationships as well as how best to achieve an alignment of goals. The net result of this would be greater value out of stakeholder management.

Finally, this research focused primarily on theory presented by Adler and Kwon (2002; 2014), which primarily focused on facilitating the discussion on social capital in general as well the proposal of the OMA model and its theoretical application. Additional research is recommended from a quantitative research design perspective in order to better understand the relationship between competitiveness and social capital in the ICT sector.

## **7.7. Conclusion**

This research has successfully achieved the research objectives formulated in Chapter 3. The research results provide insight for managers seeking to optimise the relationships that they have with their external stakeholders. The true benefits that result from building social capital include the flow of information between organisations, the power benefits which includes influence on stakeholders that result in organisations being able to achieve their goals and creating organisational differentiation in order to attain a competitive advantage.

The OMA model proposed by Adler and Kwon (2002) appears to hold true and it is was found to be a valid model for ICT organisations from an organisational competitiveness perspective. Additional contributions to this model have been made as a result of this research and add greater detail to the OMA for management practice. Finally, from a leadership perspective, qualities such as integrity and humility when engaging with stakeholders with the objective of building social capital are seen to be key in order for organisations to be successful.

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## APPENDIX 1: RESEARCH INSTRUMENT

### Interview Questions

What is your approach to building relationships with clients and / or suppliers?

Do you have a specific strategy, structure or tools that you use? [Explores whether executive teams have a specific structure focused on building relationships]

Do you have a conscious approach to socialising with your clients and / or suppliers?

What is the link for you between the relationships you build and the purpose of the business? Could you share some examples where relationships lead to something good for the company? [organisational performance question]

What for you are the characteristics of a business value relationship? [Social capital construct question]

What needs to take place in order for business value to be created through relationships? [Opportunity / Motivation / Ability testing question]

How do you manage value generating relationship building versus time wasting relationship building?

What are the specific leadership qualities that are associated with these type of relationships? [Leadership characteristics question]

## APPENDIX 2: THE CODED TERMS USED IN ATLAS.TI IN THE “OMA” ANALYSIS

<b>Opportunity</b>	<b>Motivation</b>	<b>Ability</b>
“clients”, “customers” or “suppliers”	“Trust” including “Credibility”	“Engagement with the right people at the right levels”
references to specific roles or positions within those stakeholders such as “CIO’s”, “business executives” or “developers”	“Consistency” or “Consistent”	“Difficulty doing business without relationships or ease of doing business through relationships”
references to socialising or events	“Integrity”	“Corporate governance”
connecting with any stakeholders external to the organisation with the intent of engaging with that person	“Genuine, authentic and sustainable relationships”	
“Structural social capital”	“Honesty or transparency”	
“Network” or “Networking”	“Norms or value systems”	
	“Co-creation, common purpose or goal alignment”	
	“Relationship building”	
	“Respect”	
	“Humility”	
	“Chemistry”	
	“Business value	
	“Relational social capital”	

### APPENDIX 3: THE RESULTS ANALYSIS FRAMEWORK

