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The relationship between social capital, transaction costs, and organizational outcomes

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A case study

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Abstract

Purpose – The purpose of this paper is to explore the connection between social capital, transaction costs, and organizational outcomes.

Design/methodology/approach – The study is based on a survey of 176 employees of a high-tech manufacturer of electronics located in the Mid-Atlantic region of the USA. The survey included three self-report measures: social capital, transaction costs, and organizational outcomes. Self-report items were used to measure three dimensions of social capital: structure, relationships, and communication. Transaction cost items measured information exchange, problem solving, conflict management, and behavior regulation. Questions measuring organizational outcomes included quality, change, equity, and fairness.

Findings – The central finding of this research is the significant association between social capital and both transaction costs and organizational outcomes. As expected, trust served as a predictor of both transaction costs and organizational outcomes. In addition, the social capital components of access, timing, and network ties were significantly associated with transaction costs and organizational outcomes.

Research limitations/implications – The items used to measure the communication dimension of social capital did not demonstrate sufficient reliability to be entered into the analysis.

Practical implications – The results suggest an alternative approach to considering the connection between communication management and organizational achievement. This approach, also, theoretically centralizes communication and communication related concerns as foundational for social capital analysis.

Originality/value – This study offers a valuable alternative theoretic approach to understanding the impact of communication on organizational affairs.

Keywords Social capital, Transaction costs, Organizational performance, Communication, Electronics industry, United States of America

Paper type Research paper



Of continuing practical importance to public relations professionals and scholars has been the impact of communication related activities on organizational outcomes. The entire field of public relations is predicated, both in theory and in practice, on this presumed link for its *raison d'être*. The scholarly literature in various disciplines that focuses on this link, in all its various guises, is equivocal. The exact nature of this link is a complicated matter and despite all the attention given to it, unresolved. This paper acknowledges this situation but strikes a new theoretical direction, arguing that social capital and transaction cost theories offer an important opportunity to reformulate this question and, hence, to offer a different perspective with new answers.

In particular, this paper seeks to establish a link between social capital, transaction costs, and organizational outcomes. Social capital theory argues that the essence of organized action inheres in the creation, maintenance, and utilization of relationships and from this relational base emerges the potential for action and competitive advantage. Transaction cost theory focuses on those costs associated with human interaction. Both theories assume that human communication is a central feature of both human action and outcomes, but neither centralizes communication as a first-order concept. The model developed below is grounded in social capital theorizing and research, but adds communication as a core concept. Thus, the central argument advanced here is that to the extent that organizations create social capital the potential exists for the management of transaction costs and a tangible benefit with regard to organizational outcomes.

Literature review

Communication and outcomes

The most fully developed literature that considers the link between human communication behavior and organizational outcomes focuses on employee participation. That literature is vast and complex, crosses several disciplinary boundaries, and consists of a wide variety of theoretical perspectives and methodologies. However, in so far as it is possible to make generalizations, it seems to be the case that a great deal of this scholarship has focused on productivity and satisfaction (Seibold and Shea, 2001; Cotton *et al.*, 1990; Miller and Monge, 1986; Wagner, 1994; Doucouliagos, 1995; Cotton, 1988; Wagner and Gooding, 1987; Schweiger and Leana, 1986; Locke and Schweiger, 1979). There is a great deal of disagreement in this literature over participation's effect, however, Wagner (1994, p. 326) in his meta-analysis of this literature concludes that participation accounts for a very small percentage of the variance in performance and satisfaction. He notes that it is possible that participation has no meaningful impact on performance and satisfaction or that the effect occurs only under certain favorable conditions. A more likely explanation, he notes, is that participation produces no "strong, general effects on performance and satisfaction". However, he also suggests that his analysis does not rule out the possibility that participation might exert strong general effects on other kinds of outcomes.

As Wagner notes, it may indeed be the case that other variables associate strongly with participation. It is also possible that a theoretic alternative and a new approach to organizational outcomes would produce very different results. The discussion that follows provides an alternative theoretic explanation that is the foundation for this study.

Social capital

There are many definitions and approaches to social capital research (Portes, 1998; Astone *et al.*, 1999). In fact, the many and varied approaches to this topic makes it difficult to reconcile the various perspectives and to produce a coherent set of findings. This paper begins with the work of Coleman (1988), Putnam (1995, 2000) and Fukuyama (1995, 1996), but integrates that work by building on the efforts of Nahapiet and Ghoshal (1998) and consequently identifies three dimensions of social capital: structural, relational, and communicative (Hazleton and Kennan, 2000).

Coleman (1988) argues that social capital involves:

... a variety of entities with two elements in common: They all consist of some aspect of social structures, and they facilitate certain actions of actors – whether persons or corporate actors – within the structure (Coleman, 1988, p. s98).

He goes on to argue that social capital is composed of obligations, trust, networks, norms, information channels, and appropriable social organization. The importance of social capital is that its presence makes possible a kind of action that is beneficial and which can be highly advantageous to those individuals, groups, or organizations that possess it in sufficient quantity.

Putnam's (1995, 1998, 2000) work served to popularize social capital both in the scholarly literature and among those interested in public policy issues. Putnam argues that social capital is a kind of social glue that facilitates action at the community level, which, in turn, enables a variety of beneficial civic activities. His claim is that social capital is in decline in the USA and that the absence of connections among community members makes it more difficult for productive civic action to take place. For example, according to Putnam, more people bowl than ever before but there are fewer people bowling as members of a league, church attendance is in decline as is membership in local service organizations and volunteer organizations such as PTA. Because of this decline communities of all kinds find it inherently more difficult to achieve important goals and objectives because the network of associations required for action is not present.

Fukuyama (1995, 1996) develops the notion that trust and norms sometimes emerge in social systems that in turn facilitates action and economic success. He uses the term social capital as a way of characterizing the emergence of trust and its direct impact on competitive advantage. Needless to say, this argument has spurred a great deal of conversation and some research about the nature of this connection. Knack and Keefer (1997), for example, show that higher levels of trust facilitated economic growth in their survey of 29 market economies and Zak and Knack (2001) demonstrate that higher levels of trust positively influence investment.

Kruckeberg and Starck (1988), writing from a public relations perspective, offer the conceptually related term "communitarianism." They argue that modern communication technologies have reduced participation in community life and that one of the principal functions of public relations should be community building. Their descriptions of community participation and involvement are very similar to Putnam's discussion of civic engagement with the addition of public relations as an activity specifically designed to restore community.

Hazleton and Kennan (2000) make communication a central feature of social capital. Their work draws from Nahapiet and Ghoshal (1998) and identifies three dimensions: structure, relationships, and a communication dimension. The structural dimension contains three elements: access, referral, and timing. Access indicates the degree to which individuals believe that they have a usable connection to individuals within a network that can produce effective action. Referral indexes the degree to which people can find information they need through existing network connections currently available to them. Timing refers to the degree to which individuals can get information in an appropriate time frame connected to the issue at hand.

With regard to the relational dimension Kennan and Hazleton suggest three components: obligations, trust, and the strength of the tie that exists between relational partners (Granovetter, 1973, 1983). Obligations emerge where connections form between individuals. One is obligated to repay a debt, return a call, or offer help when it had previously been extended. Trust is an expectation that individuals will exhibit behavior that is consistent with expectations. A strong connection between people, groups, or organizations would include time, emotional intensity, intimacy, and reciprocity.

The communication dimension can include a variety of human messaging activities. The social capital perspective allows one to integrate the literature in communication and recognizes the centrality of human messaging and symbolic activity as foundational for the formation of structure and relationships. For example, the communicative predispositions that serves as characteristics of communicators' impacts the manner in which social capital is acquired, maintained, and expended. So, for example, individuals high in communication apprehension may acquire less social capital, have more difficulty maintaining what they have, and may make poor expenditure decisions. Certainly, a variety of communication concerns may be considered, however, the unifying theme is the manner in which communication characteristics influence the potential for social capital formation, maintenance, and expenditure.

Transaction costs

Fukuyama (1995, p. 27) identifies transaction costs as those costs which accrue to organizations or cultures in the absence of social capital. Fukuyama argues that simpler and less expensive systems, based upon trust, come to be replaced by "a system of formal rules and regulations, which have to be negotiated, agreed to, litigated, and enforced, sometimes by coercive means". Transaction costs (Coase, 1937, 1961; Williamson, 1975) are costs incurred by individuals, groups, and organizations that are associated with human interaction[1]. Those costs might include brokering solutions to problems, negotiating and managing conflict, creating contracts to regulate the behavior of others, and creating an information environment in which people are connected to each other and to information. In the absence of the ability to successfully acquire and expend social capital transaction costs tend to proliferate. These costs can assume a variety of guises within the context provided above, e.g. the cost of sexual harassment suits, age discrimination suits, and grievances. In addition, increased information costs, conflict, legal costs, employee theft, and labor union based grievances, are also transaction costs. Rather than reflecting purely economic costs associated with market activities, transaction costs reflect what happens when costs must be expended to secure appropriate behavior. Transaction costs demand additional expenditures of human and financial capital beyond what is necessary to achieve organizational objectives, imposing an additional constraint organizational competitiveness. Employee theft, for example, reflects, in part, the absence of social capital including a poorly managed set of relationships that has emerged as dysfunctional employee, group, or organizational behavior. Employee monitoring devices serve as an additional example of transaction costs because they require added financial inputs to attempt behavioral control where a more effective expenditure of social capital could have produced less costly and more desirable outcomes.

Finally, contracts are mechanisms for securing behavior and incur an expense for initiating and maintaining.

Synthesis

The literature discussed above suggests a basic conceptual model, namely that social capital should associate with both transaction costs and social capital. More specifically, one would assume that the greater the deposit of social capital reported by organizational members the stronger the influence on transaction costs and outcomes.

It is important to note that while the theoretical base is present to support such a claim very little literature is available that provides any basis for formulating a hypotheses when focusing on broader organizational concerns. Based on the preceding the following research questions will be addressed:

RQ1. What is the relationship between social capital and organizational transaction costs?

RQ2. What is the relationship between social capital and organizational outcomes?

Method

Participants

Participants were 178 employees of a medium sized manufacturer of electric components located in the Southeastern USA. This organization has self-identified itself as a high performance organization that depends on teams of empowered employees that routinely make decisions independently of managerial influence. No unions were present in the organization. The organization was organized as a focused-factory where manufacturing processes are structured according to product, customer, and team requirements. Teams were responsible for employee selection and de-selection, production processes, scheduling, quality, and pay and progression. This approach was initiated in 1992, and is currently viewed by leadership as being in a mature phase of development.

Respondents represented all levels and departments within the organization ($N = 176$). About 68 percent of respondents were male ($N = 119$) and 32 percent female ($N = 57$). Two respondents did not report their gender. When asked to categorize themselves by workgroup, the following scores were reported: staff ($N = 5$), administrative ($N = 5$), marketing and sales ($N = 4$), engineering ($N = 45$), operations ($N = 116$), and corporate ($N = 1$). Reports of participant work levels revealed that 67.6 percent were hourly wage employees ($N = 117$), 20.8 percent were salaried non-manager ($N = 36$), 9.8 percent were salaried supervisor/manager ($N = 17$), and 1.7 percent were salaried senior manager and above ($N = 3$). The total length of service at Danaher, Inc. (including service prior to acquisition) for employees ranged from less than one year ($N = 19$), between one and five years ($N = 63$), between five and ten years ($N = 36$), and more than ten years ($N = 55$). First shift employees made up the largest portion of participants ($N = 162$) followed by second shift employees ($N = 11$) and third shift employees ($N = 1$).

Procedure

Data were collected from a convenience sample of employees from various departments. Surveys were administered by shift and department within the

building that comprised one unit of the organization, during the work day, and in one of the organization's conference rooms. Employees were summoned on the half an hour and given time in the conference room to complete a yearly employee satisfaction survey required by the home office and the survey instrument designed for this study. Participation was anonymous and voluntary. The researchers informed employees that after completing the employee satisfaction survey, a second survey was available that focused communication in the workplace.

Measurement instruments

To coincide with the organization's schedule, a survey was administered in addition to the organization's annual employee satisfaction survey. The leadership of this organization, including the director of human resources, felt that less disruption would be caused if the surveys were administered together. The employee satisfaction survey was designed by an independent research firm to reflect the needs of the organization. In addition, the leadership at this organization requested that any additional survey questions be limited to no more than 25 to prevent employee fatigue and to conserve time away from work.

With regard to the survey used in this research project, one part of the survey consisted of 12 Likert type questions designed to measure the three dimensions of social capital identified by Hazleton and Kennan (2000): structure (access (one question), timing (two questions), and referral (one question)), relational (trust (four questions)), relational (strength of ties (four questions)), and communication (communication apprehension (four questions)). Four questions were included to measure employee perceptions of transaction costs (information exchange, problem identification, behavior regulation, conflict management) and six questions designed to measure organizational outcomes (quality, change orientation, perceptions of equity, and fairness).

Four questions from PRCA-24 were used as a measure of the communication dimension of social capital (McCroskey, 1982). While we do not consider these items to be direct measures of communication behavior, we do believe that communication apprehension is a direct influence on it. This approach was selected because we were limited to a small number of questions we were allowed to ask. Direct measures would have required too many additional questions. Two positively worded questions and two negatively worded questions were taken from both the group and dyadic speaking contexts. The number of questions taken from the PRCA-24 was limited in an effort to meet organizational demands that the overall survey be limited to 25 questions. Further, questions from the group and dyadic dimensions were chosen because this particular organization prides itself on being a high performance team oriented workplace. The researchers felt that these two dimensions would be of particular relevance in an environment that privileges participation and group process.

The PRCA-24 (McCroskey, 1982) asks participants to rate their feelings about communicating in certain situations on a five-point Likert scale. Four contexts are measured to determine an overall communication apprehension rating: group, meeting, dyadic, and public. The PRCA-24 measure has been shown to have high reliability ($\alpha > 0.90$). Questions taken from the group context were:

- engaging in a group discussion with new people makes me tense and nervous; and
- I am calm and relaxed while participating in group discussions.

Questions from the dyadic context were:

- while participating in a conversation with a new acquaintance, I feel very nervous; and
- I have no fear of speaking up in conversations.

Results

The relationships between social capital, transaction costs, and organizational outcomes were tested using stepwise multiple linear regression analysis. Separate stepwise regression analyses were calculated for each of the transaction cost and organizational outcome variables. SPSS Version 11.5 for Windows was used for the data analysis. Stepwise analysis was used because it identifies the relative contributions of each predictor and it is useful in exploratory research for creating more parsimonious models of relationships.

Regressions for all transaction cost variables yielded statistically significant results. The regression of social capital variables on to conflict management yielded a multiple correlation of 0.576 ($F = 19.644$; $df = 4,158$; $p = 0.000$) accounting for approximately 33 percent of the variance in the dependent measure. Analysis of problem and solution identification yielded a statistically significant multiple correlation of 0.650 ($F = 39.202$; $df = 3,161$; $p = 0.000$) accounting for approximately 42 percent of the variance in the dependent variable. Results for behavior regulation yielded a multiple correlation of 0.362 ($F = 12.237$; $df = 2,162$; $p = 0.000$) explaining a little over 13 percent of the variance. The regression of social capital variables on to information exchange yielded a multiple correlation of 0.455 ($F = 13.976$; $df = 3,161$; $p = 0.000$) accounting for almost 21 percent of the variance.

The individual contributions of social capital variables to transaction costs are shown in Table I. Four social capital items were significant predictors of the conflict management item: two timing measures, a trust measure, and a network ties measure. Two trust items and a timing item served as predictors of problem identification and solution. Two social capital items reflecting trust and access were significant predictors of behavior regulation. Three social capital items were significant predictors of information exchange: timing, access, and trust.

The measures of communication apprehension were excluded from the analysis due to low correlations among the items indicating low reliability of measurement. Bivariate correlations among the four items ranged from a low of 0.257 to a high of 0.680 with an average correlation of 0.447. While all correlations were statistically significant we did not feel that this provided an adequate measure.

Regressions for all organizational outcome variables yielded statistically significant results. The regression of social capital variables on to perceptions of customer service yielded a multiple correlation of 0.361 ($F = 12.049$; $df = 2,161$; $p = 0.000$) accounting for approximately 13 percent of the variance in the dependent measure. Analysis of perceptions of personal fairness yielded a statistically significant multiple correlation of 0.553 ($F = 23.96$; $df = 3,159$; $p = 0.000$) accounting for approximately 30.6 percent of the variance in the dependent variable. Results for optimism about the future yielded a multiple correlation of 0.502 ($F = 18.111$; $df = 3,161$; $p = 0.000$) explaining a little over 25 percent of the variance. Analysis of perceptions of quality control yielded a multiple correlation of 0.237 ($F = 9.603$; $df = 1,162$; $p = 0.002$) accounting for 5.6 percent of the variance. The regression of social capital variables on to perceptions

Table I.
Standardized β
coefficients and variance
explained for regressions
of social capital on to
transaction costs

Dependent variable	Predictors	β	R^2
Conflict is a distraction where I work	I am always the last to know (timing)	-0.382	0.211
	People in my organization can't be trusted (trust)	-0.336	0.290
	Most of the people I work with are just like me (network ties)	-0.142	0.312
	I hear things in the rumor mill long before I hear it from my boss (timing)	-0.158	0.332
Problems are identified and solved effectively where I work	I'm encouraged to make independent decisions (trust)	0.447	0.286
	People in my organization can't be trusted (trust)	0.231	0.381
	I am always the last to know (timing)	0.224	0.422
When I see ways to become more productive in my work, I change what I am doing on my own	I'm encouraged to make independent decisions (trust)	0.229	0.087
	I know people who can help me get the information I need (access)	0.221	0.131
I don't have the information I need to do my job	I am always the last to know (timing)	0.273	0.139
	I know people who can help me get the information I need (access)	0.214	0.185
	People in my organization can't be trusted (trust)	0.158	0.207

of managing change effectively yielded a statistically significant multiple correlation of 0.493 ($F = 17.233$; $df = 3,161$; $p = 0.000$) accounting for 24.3 percent of the variance. Analysis of perceptions of quality of products and services yielded a multiple correlation of 0.388 ($F = 14.323$; $df = 2,162$; $p = 0.000$) accounting for 15 percent of variance.

The individual contributions of social capital variables to each organizational outcome equation are shown in Table II. The organizational outcome variable, customer service, was predicted by two social capital items trust and network ties. Social capital items related to trust, access, and network ties were significant predictors of perceptions of equity and fairness. Optimism about the future was significantly related to two trust items and access. Perceptions of quality control were significantly correlated with a single access item. Two trust items and a network ties item were significant predictors of perceptions of managing change effectively. Finally, two items measuring trust and timing were predictors of quality of products and services.

Discussion

The central finding of this research is the significant association between social capital and both transaction costs and organizational outcomes. These findings are important because they empirically identify social capital as a concept that contains considerable explanatory power. The strength of the associations found in this study suggest an important new means of evaluating the impact of public relations practice on particular features of organizational performance.

Dependent variable	Predictors	β	R^2
We provide outstanding customer service	I'm encouraged to make independent decisions (trust)	0.320	0.105
	Most of the people I work with are just like me (network ties)	0.160	0.130
I am treated in a fair and equitable way	I'm encouraged to make independent decisions (trust)	0.418	0.239
	I know people who can help me get the information I need (access)	0.228	0.281
	Most of the people I work with are just like me (network ties)	0.160	0.306
I am optimistic about the future of my organization	I'm encouraged to make independent decisions (trust)	0.277	0.160
	People in my organization can't be trusted (trust)	0.248	0.226
	I feel free to talk with people at work about problems and difficulties I have with my job (access)	0.184	0.252
I often hear about quality problems	I know people who can help me get the information I need (access)	0.237	0.056
My organization handles change effectively	I'm encouraged to make independent decisions (trust)	0.358	0.153
	Most of the people I work with are just like me (network ties)	0.227	0.207
	People in my organization can't be trusted (trust)	0.191	0.243
Our products and services are excellent	I'm encouraged to make independent decisions (trust)	0.286	0.112
	I am always the last to know (timing)	0.202	0.150

Table II.
Standardized β
coefficients for
regressions of social
capital on to
organizational outcomes

Social capital and transaction costs

First, as noted above, transaction costs are the costs associated with human interaction. Contracts, for example, secure reliable human actions in situations where other guarantees are absent. Contracts inevitably incur a variety of expenses, e.g. legal services, surveillance cameras, human resources personnel, and legal departments, as a means of securing desirable behaviors. In this study transaction costs were operationalized as employee perceptions of information exchange, problem solving, conflict management, and behavior regulation, key elements of successful human interaction. These elements reflect basic human communication/interaction activities which, where problematic, result in extra costs for the organization.

First, conflict seen as a human transaction is significantly associated with the timing of information availability, the presence of trust, and the significance of strong ties. The presence of information, available in an appropriate time frame, provides the strongest predictor of conflict perceptions, suggesting that the timing of information provides essential content for conflict management. The absence of trust creates the environment from which conflict emerges while its presence is associated with reduced levels. The closeness of individuals to others in the organization, via their connections, provides the opportunity for interaction that lowers the threat of conflict.

Second, problems are identified and solved more effectively where trust is present and where information is available in a timely fashion. Clearly, trust is a prerequisite for human interaction that leads to the identification of problems and their solutions. Without trust the ability to initiate exchange without risk is in question. Information availability supports this interaction making it easier to proceed when information relevant to decision items is present.

Third, the behavior of employees is associated with trust and access. Employees will not risk new behaviors with unknown consequences. The presence of trust reduces risk and increases the potential for innovation. Access to others who can help reduce the uncertainty associated with new behaviors also helps managed feelings of uncertainty and emboldens individuals to take action when they might ordinarily be immobilized by fears about reactions to their attempts at creativity and innovation.

Fourth, information exchange is associated with timing, access, and trust. A repeated theme in these findings is the availability of information in a time frame so as to be useful with regard to current issues and concerns. The same is true here. Information to be informative must be available when employees perceive its potential utility to be high. Employees also reported that access to others who might have information affords them control over their environments. Knowing whom to contact for information of a particular type gives control over decision-making to employees and provides them with an information base that creates more effective decision-making. Finally, trust is required for information to be shared and its contents accepted as true and factual. Where these elements of social capital are in short supply information exchange issues may prove costly for organizations.

Social capital and organizational outcomes

In particular, three components of social capital associated organizational outcomes rated by respondents: trust, access, and strength of ties. In all six organizational outcomes these three components of social capital served as significant predictors of organizational outcomes. This finding is consistent with social capital literature that identifies trust and structural elements as basic components, e.g. Coleman (1988).

These three associations, aside from their statistical significance, possess strong face validity as predictors. Without the presence of trust social interaction cannot proceed and, in this study, organizational outcomes of all sorts cannot be achieved. In particular, the two items used to measure trust focus on what Coleman (1988) identifies as fragile and resilient trust. The resilient trust item explained the most variance in almost all of the equations we constructed. Resilient trust indexes that trust which does not require some kind of contractual guarantee to secure acceptable and predictable behavior. In our question, respondents reflected on the degree to which they felt trusted to be independent in making decisions. It is this independence, this resilient trust, which connects most clearly, conceptually, and statistically to organizational outcomes. Where individuals feel trusted to make decisions independently and to execute them without the uncertainty associated with low trust situations organizational outcomes are more likely to be achieved.

To a lesser extent accessibility items served as a predictor of organizational outcomes, specifically the orientation of the organization toward the future, fairness, and quality. Accessibility items approach both the connections that people have with others and their utility, but also the freedom respondents perceive with regard to their

ability to use them. These findings offer support for the claim that an organization's successes can be connected back to the access that members have with fellow members and their freedom to use those associations to perform their work.

Finally, employee perception of the strength of ties served as a predictor in three of the outcome variables: customer service, fairness, and change management. The perception of similarity and hence closeness of personal ties to others in the organization provides the connectedness, the information, and the interaction opportunities required for success. This finding is somewhat at odds with current theory and research. Burt (1997) and Granovetter (1973) argue that weak ties offer the most opportunity for social capital creation because strong ties merely reinforce existing relationships and provide no new information or opportunity. Weak ties connect people to new opportunities and new sources of information that can be used to achieve various goals. In our results, however, employees reported strong ties as an important asset with regard to organizational outcomes, more important than weak tie connections. The evidence suggests that employee connections with people like themselves who share similar experiences and orientations offers an important means of achieving outcomes relevant to the organization.

Key findings

The results demonstrate that relational and structural elements of social capital serve as significant predictors of both transaction cost variables and perceived organizational outcome variables. The most important finding in this study is the role of trust, a relational feature of social capital, both with regard to transaction costs and organizational outcomes. Almost every theoretical orientation to social capital includes trust as a core concept. Clearly, this vitally important relational component is a strong predictor of both transaction costs and outcomes and makes the character of the relationship of central concern for the formation, maintenance, and expenditure of social capital.

Of particular interest is the importance of structural social capital components. It is clear that concepts such as access, timing, and network ties add considerably to the predictive power of social capital. These results open an avenue to a different perspective on the connection between communication related concerns and organizational outcomes by demonstrating that social capital components can and do assist in explaining outcomes.

Implications for public relations

One might define public relations as an activity designed to create, maintain, and expend social capital. Seen in this way, public relations become a very different activity and something that can be more clearly and directly associated with a variety of organizational priorities and concerns. One of the problems commonly expressed by public relations practitioners and scholars is the difficulty of demonstrating the impact of their profession on priorities and concerns that are generally recognized as important by organizational decision makers. Social capital offers a concept and a series of dimensions capable of doing so.

This approach and the results discussed above provides a set of significant predictors and a theoretic foundation from which to reconceptualize public relations as a central organizational process. Consultants are fond of using the word "metrics" to

denote the measurement of key organizational processes that leads to an assessment of their value. What could emerge from this research is a set of metrics that organizations can monitor, which public relations professionals can observe, and which can be connected with highly desirable outcomes.

Limitations and future research

Items designed to measure the communication dimension of social capital proved to be unreliable although they were drawn from one of the most valid and reliable instruments in our discipline. Future research must focus attention on the communicative dimension of social capital with regard to both transaction costs and outcomes. More direct measures of communication strategy and content are likely to be more useful than indirect measures such as apprehension.

Social capital was conceptualized and operationalized in this research in a way that focused on its status as a quantity or deposit of something that is available in the organization. This research did not deal with creation, maintenance, and expenditure elements of social capital, only its status at one moment in an organization's history. While the results are useful and support the viability of this approach, added research on these three issues is necessary to flesh out social capital and its importance for public relations scholarship and practice.

Conclusion

This research project has developed social capital as a concept composed of structural, relational, and communicative components. It has also developed the argument for a connection between social capital, transaction costs, and organizational outcomes. The results described above provide empirical support for this connection, supporting the viability of this approach as a means of empirically locating public relations in connection to valued organizational outcomes. In particular, trust, access, timing, and network ties serve as significant predictors of both transaction costs and outcomes. The role of the communication dimension needs further exploration in future research.

Note

1. The concept of transaction costs has been variously defined (Klaes, 2000) and hence, as with many concepts, conceptual confusion is the norm rather than the exception. The approach taken in this chapter acknowledges the work of theorist like Coase (1937, 1961), Marschak (1959), Malmgren (1961), Alchian (1965) and Williamson (1975), and it builds on the notion of contracts, policing, exchanges, negotiation, etc. contained in those visions to see transaction costs as being associated with human interaction, i.e. communication.

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