

Social Capital, Leadership Reputation and Labour Force Motivation in an Enterprise

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Abstract: Resources in an enterprise consist not only of tangible assets but also intangible assets. Numerous studies undertaken recently show the existence of intangible links between social and individual contacts in every relationship in a society. This is defined as ‘social capital’. This ‘social capital’ has an enormous impact on increasing the productivity of an enterprise through motivating the labour force. The creation of social capital and labour force motivation in an enterprise contribute to both the reputation and ability of that enterprise’s leaders. This study focuses on the challenges of promoting internal social capital within an enterprise.

Keywords: social capital, motivation, trust, norms, networks

JEL Classification Numbers: A13, J24, J53

1. Definition of social capital

There are numerous definitions of social capital found in the literature. They vary depending on whether their focus is primarily on (1) the relations an actor maintains with other actors, (2) the structure of relations among actors within a collectivity, or (3) both types of linkages (Adler and Kwon, 2002). A focus on external relations has also been called 'bridging' (Woolcock, 1998) social capital and a focus on internal relations 'bonding' or 'linking' social capital. A taxonomy of social capital could also use other criteria such as whether ties are strong or weak, horizontal or vertical, open or closed, structural or cognitive, geographically dispersed or circumscribed, and instrumental or principled.

The criteria used to categorize social capital depend on the purpose of the research concerned. In this study, which emphasizes promoting social capital within enterprises to create employee motivation, and the various means available for exploiting the elements of social capital within enterprises, we focus on Putnam's conception of social capital:

“Social capital” refers to features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit (Putnam 1995).

Social capital here refers to features of social organization, such as trust, norms, and networks, which can improve the efficiency of society by facilitating coordinated actions (Putnam et

al.,1993).

2. How is social capital formed?

Social capital is formed and developed through the existence and life experiences of human beings. Each individual in a society is influenced by a number of factors, such as the educational, social and familial environments that contribute to the formation of character, values, trust and professional orientation. Each person in a different social environment - such as a different family or location - will have different views. Further, each community has its own concepts and values that are formed through the accumulation of beliefs, moral standards and other individual contacts inside that community. Each individual joining a community or business environment brings their own moral value or social capital with them, and the collection of these individuals in a united business environment creates the social capital of that business.

3. Social capital in enterprises

Social capital in enterprises can be understood as the spiritual values of the enterprise. Each enterprise must create a mutually understandable linkage among its employees. It is in this context that each individual derives mutual support and trust in an efficient network that contributes to the enterprise's development. For example, the social capital at a Japanese enterprise is formed by the linkages of each individual, which are based on their culture, loyalty and devotion to their work and the enterprise's development. These elements are created in the form of human resources, production and management processes, as well as other factors which help to formulate the various values that make up the enterprise's productivity.

Unlike previous theories on human behaviour, the theory of social capital mainly focuses on the quality of human linkages and social contacts. Trust and loyalty are known as essential factors in social linkages, and these qualities help to motivate people to act according to defined social principles and moral or behavioural standards. Given these facts, the essence of social capital is loyalty and belief in an enterprise. The development of social capital implies that each individual is loyal to and believes in the social network. This is necessary in order to leverage these attributes into consistent courses of action according to the relevant norms.

Studies on social capital have been carried out by a number of corporations. The Organizational Trust Index has been widely used to reflect the strength of an organization through the linkages among individuals within an organization, as well as those between the individual and the organization. In order to maintain mutual understanding and belief, as well as to ensure the smooth operation of an enterprise, codes of conduct have also been used since developing social capital has become a basic principle at each organization.

The beliefs that each person develops for himself or herself regarding values, orientation and principles for their behaviours form the motivation to achieve and maintain commitment to implementing his or her plans. Even in a time of crisis, strong belief in and commitment to the organization builds strength with which to overcome difficulties. When this type of belief is strongly developed, these spiritual values will be translated into social values, so that social capital produces economic value. An enterprise with strong social capital is identified by strong belief in the business, and solidarity, cooperation and mutual support among the employees, so that they share the same values.

4. Role of social capital in enterprises

In the corporate governance context, social capital plays a very important role. Enterprises are a mirror of society, in that they implement their own legal framework, and these regulations and principles set boundaries for the behaviour of each individual and the organization as a whole. Each enterprise must develop its own organizational model as well, in order to facilitate its operations. From this point of view, it can be imagined that regulations are the unseen backbone of an enterprise – coordinating all behaviours and relationships in order to achieve the enterprise's goal with the available resources.

An enterprise which focuses solely on administrative measures for improving business management without any awareness of social capital will encounter enormous difficulties. It might even struggle to remain solvent in the absence of mutual confidence between executives and employees.

An enterprise that fails to understand the importance of social capital will take measures to strengthen a rigid administrative approach, and so create a costly bureaucracy which reduces productivity. Order-based management never creates useful motivation for labourers, and sometimes negatively impacts the relationships between leadership and workers, leading to reduced productivity.

Social capital can be viewed in the corporate context as part of the macro-level and micro-level factors in which the role of executives is regarded as key. In addition, it is the role and responsibility of the executive level to represent the enterprise's social capital. If the executive level performs its role adequately, the environment in which the enterprise operates will certainly be improved.

In fact another way to view social capital is by categorizing it into social capital emanating from the internal environment within the business, the external environment surrounding the business, and inside the social capital constituted by the behaviour of enterprise executives. These categories can be further subdivided as follows:

- External social capital can be divided into two types. In the vertical type, the focus is on

relationships that connect the business to the business environment and networks it belongs to. These include relationships with government offices, ministries and local authorities. Meanwhile, the horizontal type focuses on the enterprise's products and services, and how it connects laterally to clients, suppliers, competitors and industry associations.

- Internal social capital measures the linkage and relationships between individuals inside the enterprise. Organizational models can vary, but in principle internal social capital mainly focuses on the human resources, financial, marketing or after-sales service interactions within an enterprise.
- Social capital belonging to enterprise executives acknowledges that leadership plays a very important role in creating the core values for a business. This means that the social capital of company leadership should be assessed on the basis of how leaders contribute to the corporation. This type of social capital is also measured, according to Nahapiet and Ghoshal (1998) in terms of the linkages and awareness of executives.

The development of an enterprise depends heavily on the ability of its executives. However, this does not imply that qualified leaders will always produce good business outcomes. In reality, when the trust and loyalty felt by the workers toward leadership is damaged, business outcomes will be affected. In this light, social capital has an enormous impact on productivity.

The productivity of an enterprise depends heavily on the behaviours of employees, how they are motivated and the working environment created for them. Executives are key persons in any business if they know how to motivate their employees and create a friendly working environment, as well as achieve the business's goals. This entails trust between the employees and executives, as well as among the employees themselves.

It follows that the following measures should be taken to increase social capital in an enterprise and enhance corporate governance:

- Create a sense of solidarity, responsibility and trust in each individual in the organization;
- Develop a corporate culture, as well as standard patterns to allow the evaluation of each individual's performance;
- Create a friendly working environment and develop linkages and contact between employees and executives;
- Enhance transparency and encourage democratic decision-making processes.

5. Labour motivation and social capital in enterprises

So far this study has presented fundamental concepts regarding the labour force and social capital. Kreitner (1995) notes that the motivation of labourers is the psychological process where individual behaviour is routed toward an identified goal. Higgins (1994) presented the concept of internal motivation within each individual to meet unsatisfied demands. According

to Bui, labour motivation is composed of the internal factors that encourage people to work in an environment where they can produce the best outcomes. Motivation, readiness and aspiration to work are deeply embedded in each employee (Bui Anh Tuan, 2009).

Under Putnam's concept of social capital, social capital includes trust, norms, and networks or relationships. Applying these factors to enterprise, what can be seen here are three very important factors for business development.

Turning first to trust in business, trust has been defined in different ways depending on the context. There is, however, a common core shared by most definitions of trust - trust is a psychological state comprising a willingness to accept vulnerability based on positive expectations of the intentions or behaviour of another (Rousseau, Sitkin, Burt, & Camerer, 1998). This conceptualization of trust recognizes that trust plays an important role in business organizations. For example, individuals may have affective trust in management generally because of a general emotional attachment to the employing organization. In contrast, they may vest affective trust in an immediate supervisor due to their personal relationship with that supervisor. If employees trust executives and their coworkers, this makes an important contribution toward maintaining workplace co-operation. Employees form an image of the organization based on the decisions and actions taken at the executive level. These 'images' of the organization as an entity are separate from those formed through the immediate contact the employee has daily with his or her supervisor. In studies of trust in management, "management" is an identifiable set of people whose actions have a significant impact on employees. Examples of such sets are: the people who make policies, rules, and major decisions in an organization, or the organization's strategic and operational executives, all of whom contribute directly to key strategic and business decisions.

Management is identified as a unique referent for employee trust because an organization's management is responsible for formulating business strategies, and locating and allocating valuable resources. So over time management decisions and actions are expected to have a broad impact on employees. One important task for a leadership team is to translate general goals into action plans and communicate them to employees. In this regard, trust in management may affect whether employees 'buy into' an organization's objectives and fully support management initiatives.

This means that exemplary leaders will prioritize creating trust among employees. These leaders fulfill the role of outlining proposed regulations, policies and standards of behaviour, as well as the relationships between the people in the business. This is the main content of social capital. Employee satisfaction with their organization determines their level of loyalty to the organization. This reveals the fact that executives have a very important role in maintaining the social capital inside their organization, as well as motivation for employees.

6. Research on the relationship between managerial reputation and employee satisfaction

The research carried out by Tran Kim Dung of the National Economics University in Ho Chi Minh City illustrates three concepts that are closely related to social capital in enterprises. These are the links between the reputation of leadership, an organization's goals and employee work satisfaction (Tran Kim Dung, 2012). The findings show that managerial reputation has the biggest impact on employee work satisfaction and is closely linked to the organization's goals. This study in effect constitutes a warning for many Vietnamese enterprises regarding the direct link between an organization's ability to meet its goals and worker satisfaction. Tran Kim Dung's conclusions were drawn from interviews with 281 full-time employees at enterprises in Ho Chi Minh City.

Managerial reputation has very broad implications and as Hall et al. (2004), conclude a manager's reputation is determined by employee awareness of and behaviour toward the manager. Highly-respected leaders will have high credibility. The reputation of an executive can be assessed from different angles, including from the perspective of government, and the perspective of enterprise stakeholders, including employees, customers and shareholders. In this study, managerial reputation is studied from the perspective of employees, expressed through three criteria: the trust, respect, and admiration with which subordinates regard a manager. Using the 7-level Likert scale, where a score of 1 indicates utter disapproval, and a score of 7 indicates wholehearted approval, the survey's results for CEO reputation are shown in Table 1.

Table 1 Employee scores for the reputation of the CEO

	N	Average	Tolerance
Excellent	281	5.014	1.3336
Highly-respected	281	5.171	1.3625
Respected	281	5.053	1.4568

Vroom's research on employee satisfaction (cited in Price, 1997) suggests that satisfaction is the extent to which employees can feel positive about their employment in the organization. Employee satisfaction is defined and measured in two respects: general satisfaction with work and satisfaction relating to the components of the work (Price, 1997).

Amongst the definitions of organizational cohesion, the definition proposed by Mowday et al. (1979) is the most widely accepted and is adopted in the present study (Mayer, 1992).

According to this definition, the linkages to, trust in and loyalty of each individual regarding the organization is defined as organizational strength. This strength has three features. It is:

- a. Homogenous - a strong shared “belief and acceptance of the goals and values of the organization”;
- b. Volitional - employees voluntarily choose to cohere in informal groups; and
- c. Faithful - employees have an “intention or desire to stay strong and organized.”

Price (1997) has suggested that the Organizational Commitment Questionnaire (QCQ) developed by Mowday et al. (1979) is “the most widely used”. Again using the Likert scale, Table 2 shows the average scores for job satisfaction and organisational cohesion.

Table 2 Employee scores for satisfaction and organizational cohesion

	N	Average	Tolerance
Satisfaction	281	4.674	1.200
Organizational cohesion	281	5.022	1.068

These results show that employee loyalty is relatively low. Only 38% of participants said they would stay with the businesses even if offered a higher salary elsewhere. In comparison the findings of the Blessing White study show that this figure is 73% for Southeast Asian countries generally; 55% for China; 59% for India; 56% for North America; and 48% for Europe. These figures have alarming implications for the individual employee’s loyalty to enterprises in Vietnam.

In summary, both direct and indirect methods were applied to asses managerial reputation and job satisfaction, and the loyalty of staff to their employers, using the AMOS software linear structural model (SEM), for the following results:

Table 3 Effect of managerial reputation on job satisfaction and staff loyalty

	Reputation	Linkage
Loyalty to organization	0.675	
Job satisfaction	0.566	0.841

* : $p < 0.001$

The results show that leadership credibility strongly impacts the level of job satisfaction (.0566)

and loyalty to the organization (.0675). When the perceived credibility of leaders increased by one standard deviation unit, the level of staff loyalty (organizational cohesion) increased by 0.675 standard deviation units and the level of job satisfaction increased by .0566 standard deviation units.

This close relationship shows that if executives do not demonstrate morally exemplary work performance, then it is difficult to expect employees to be loyal, dedicating themselves to the business. The study results show that to enhance executive reputations, executives need to consider both the element of personal morality and the element of effective work performance.

The study results also show that one of the important reasons that employees lack motivation, loyalty or engagement, is due to the lack of exemplary leaders with strong personal morals who work effectively. Business leaders need to pay attention to constructing a credible image, and enhancing managerial reputations. To ensure the efficient operation of business organizations, enterprises may well need to resolutely replace executives who have lost the confidence of employees.

7. Conclusion

Social capital, in the form of trust, norms, and networks or relationships is an important concept that constitutes an intangible asset of a business organization, and makes an important contribution to business development. Developing social capital is an important role of business executives. There are many theoretical and methodological issues involved in motivating employees. The ways in which social capital is intertwined with and can be leveraged in motivating employees is a topic that deserves further study.

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