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The Strategic Value of Social Capital: How Firms Capitalize on Social Assets, Francesca Masciarelli, Edward Elgar Publishing, Cheltenham, UK (2010), 171 pp

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Social capital is one of the most complex ideas to conceptualize and to operationalize. Social capital does not have a commonly agreed definition; its intellectual origins can be traced in political studies, as well as in sociology, geography, economics or management. Based on its interdisciplinary features, the concept of social capital inspires various researchers from different perspectives. The strategic value of social capital has, until now, seldom been debated, though that does not mean it is not important.

Francesca Masciarelli's book aims to explore the nature and the dynamics of social capital and its implications for competitiveness and value creation. It contributes to the literature of social capital by bringing both new perspectives on theories and new empirical evidence. This book is, further, an attempt to apply management research techniques to get to the heart of the value of social assets. Social capital is contextual and in line with Putnam's proposed measures (1993, 2000) Francesca sets out to investigate the operationalization of a number of items that capture the value of social capital. The book is organized in two parts, corresponding to five different dimensions (region, relationship banking, innovation, offshoring intangibles and succession process). Five separate papers, written by Masciarelli in recent years are put together.

Chapter 1 contains a brief introduction, constructing the social problems at hand and introducing the concept of social capital. The introduction serves the function to justify the roles of structural and individual approaches to value of social capital, which constitute the two parts of the book. One of the author's contributions, among others, consists in integrating these two approaches, by highlighting that these are not contradictory and can be jointly discussed in an attempt to build a managerial framework. The chapter ends by introducing the five papers that make up the five following chapters.

Chapters 2 and 3 are based on the structural approach to social capital, and explore the role of local social interactions for the firm. In chapter 2 Francesca investigates the role of geographic location as a value driver for creation of geographically bound social capital. She has studied the innovation capability of the firm in relation to regional creativity using a sample of 4735 Italian manufacturing firms operating in four Italian regions during the period 2001-2006. She proposes several measures for regional creativity and innovation capability. Her results confirm the existence of a positive link between regional creativity and the development of a firm's social capital. Through this study she demonstrates how the location and context are crucial managerial decisions, since the accumulation of geographically bound social capital influences innovation and value creation. In chapter 3 empirical research is provided on the role of social capital in a firm's relationship with banks. The level of relationship banking is measured by the number of credit partners and the maturity of privileged debt. The sample comprises 4753 Italian manufacturing firms. Geographically bound social capital is operationalized through the valuation of 'provincial social capital', covering 103 Italian provinces and 5 explanatory variables (number of non-profit organizations, number of unpaid workers in non-profit organizations, number of employees in non-profit organizations, number of foreign residents, and number of protests). Empirical results confirm that the level of social capital is positively related to relationship banking (stable relations with not more than two credit partners) and increase with debt maturity. The material presented in this chapter contributes to the author's shaping of the value of social capital by demonstrating the importance of contextual factors for financial outcomes.

In chapters 4, 5 and 6 the author moves to an individual approach toward social capital and focuses on the entrepreneur's social capital, offshoring intangibles, and the succession process in family firms. In chapter 4 the research described in chapter 2 is moved to the individual level, in order to measure the impact of entrepreneur's social capital on the firm's degree of innovation. The empirical analysis is conducted on a sample of Italian firms from two regions over the period 2000-2005. Findings support the hypotheses that entrepreneur's social capital is a private asset that has a positive effect on a firm's degree of innovation and that geographically bound social capital positively moderates the effects of the entrepreneur's social capital on firm innovation. Again, location and contextual factors can increase the chance of creating value.

Chapter 5 is used to address the concept of international social capital in value creation through the practice of offshoring intangibles. In it, the author proposes an empirical analysis of the link between offshoring intangible activities and firm performance, and measures the impact of international social capital as a moderator of this link. The project is conducted by surveying 66 Italian firms' offshoring intangible activities during the period 2004-2006. Findings confirm that there is a positive impact on firm performance from offshoring intangible activities, and that international social capital positively moderates this link. Francesca's research emphasizes the importance of local contextual factors in benefiting from offshoring strategies and the value created by international social capital. In chapter 6 the author investigates the succession process in family firms, since social capital is a complex asset to transfer. The methodology in this chapter is based on 5 case studies. The link between the type of succession process and the successor's human and social capital is explored. Results emphasize that the effectiveness of the succession process is affected by the level of social capital.

Presented in chapter 7 is a summary of the main findings where the author concludes with a discussion of how firms can capitalize on geographically bound social capital in the context of innovation and bank relationships, as well as on individual social capital through innovation, offshoring intangible activities and family firm successions. This contributes to social capital theory by proposing findings that highlight the theory's strategic value.

There are two issues that deserve comments: the Italian context and the gathering of different research papers into one book. The five different empirical studies are based on Italian databases provided by different institutions in several regions. Because of the density of small or young firms in some Italian regions, it probably makes Italy one of the geographically appropriate fields for this kind of research. However, there is no doubt about the cultural, political and managerial specificities of this country. It consequently limits the capacity to generalize the conclusions. Further, the text is gathering five papers, each of them being of high scientific value and well-written. However, they cover different dimensions and are based on various research methods and data. If on one hand it is interesting to offer a variety of studies, on the other hand Masciarelli does not provide a clear red thread of what she calls 'a multi-faceted' contribution. She combines the five papers in two parts, structural and individual approaches, which are rather well integrated, but it makes the conclusions less convincing. The book raises the issue of unintended consequences of methodological and empirical choices.

In spite of the complexity of the task, the author does an excellent job of creating an orderly presentation discussing the topic, and I like the positioning of social capital as an asset and a crossdisciplinary concept. The value creation through capitalizing on social assets inside and outside the firm boundaries emphasizes the value of the social ties, and provides inspiration for further research on how social capital relates to the space/area in which individuals live. I would like to suggest research on identifying negative value drivers and their implications for individual entrepreneurs and collective structures. This book is a valuable contribution to social capital literature. It brings to debate the multi-faceted nature of social capital boundaries. For the entrepreneur, it is complex but appropriate knowledge. This book will be of interest to entrepreneurs surrounding structures at public and private levels, and to academicians interested in value creation process through access to knowledge in different forms.

References

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