

SOME ECONOMIC ASPECTS OF SOCIAL CAPITAL

Pavlo Denysenko

Sumy State University, Sumy, Ukraine

Nowadays innovation-oriented development of particular socio-economic system is no longer considered as a result of some individual breakthrough, it was substituted by systematic work of specially created professional networks of different kind and size. Formal and informal interrelations among talented workers, knowledge management, creative environment, social capital, organizational culture becomes the new frontier of competitive advantage. The generalized structure of this process is presented on figure 1.

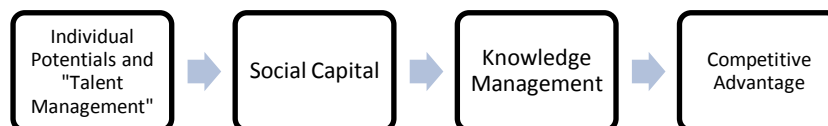


Fig. 1. Elements of Modern Competitive Advantage

Social capital is usually defined as “networks, norms and trust that enable participants to act together more effectively to pursue shared objectives” (Robert Putnam). The Word Bank uses the following definition: “social capital refers to the institutions, relationships and norms that shape the quality and quantity of a society’s social interrelations”. Based on these definitions we decided to underline some general elements of social capital concept (see table 1) mostly important for the innovative activity.

Table 1 – Elements of Social Capital Structure

Individuals	Society	Economy
Behavior potential	Institutions and norms	Resource potential
Performance potential	Productive relations	Productive potential
Creative potential	Networks and trust	Development potential

In classical economics, capital is one of three (or four, in some formulations) factors of production. The others are land, labor and (in some versions) organization, entrepreneurship or management. Goods with the following features are capital:

- It can be used in the production of other goods;
- It was produced (in contrast to naturally occurring resources such as geographical locations and minerals);
- It is not used up immediately in the process of production unlike raw materials or intermediate goods.

Speaking about social capital concept, it has all attributes, mentioned above. First of all, collective work on common targets requires the use of interpersonal cooperation, both formal and informal relations, understanding and trust. All these were definitely formed and produced by people by their working together. And as a result, personal professional skills, behavioral patterns and communication become more and more in accordance to their common objectives. The main economic effect here is growth of individual potentials realization. Social capital also can be described as both as a flow of resources, used to form such special professional interrelations and as a stock of gained results of such interpersonal network existence or development.

Special attention we would like to intellectual skills of workers, their creativity and to so-called talent management. It is no longer enough to define personal returns from education and professional skills estimated in wages growth. Organization’s ability to create, accumulate, distribute and implement specific professional knowledge becomes crucial factor of its sustainable

development. The same is true for the society in general. The social capital intellectual development problem has three main levels:

Macro-level: International and state institutions work on stimulation of knowledge-based production with corresponding substitution of nature exploitation. Society development conditions for every citizen.

Micro-level: Knowledge systems of enterprise supporting the adaptation to the frequently changeable market situation as well as long-term organization development.

Personal-level: Self-explorations with intellectual and health improvement according to life goals, professional field and individual tastes.

As a conclusion, social capital and intellectual potential both at regional and organization levels are closely connected with sustainable development issue. It takes into account three main dimensions: *Social*: Information and Communication Technology availability (as a tool to exchange ideas and collect the experience of others), cultural institutions and heritage (as the way to become connected with experience and gains of previous generations); *Production sphere*: life-long education (as a tool for permanent personal growth), private business possibilities (competitive environment as the creative ideas catalyst); *Environmental*: health care and sports (plus promotion of the life style without smoking and alcohol), recreational sphere etc.

References

1. Social Capital A review of the literature - Social Analysis and Reporting Division, Office for National Statistics, October 2001;
2. F. Boldizzoni (2008). *Means and ends: The idea of capital in the West, 1500-1970*, New York: Palgrave Macmillan, 2008;
3. Hans Westlund *Social Capital in the Knowledge Economy: Theory and Empirics*, Springer – Verlag, Berlin, Heidelberg, 2006