Creating Shared Value: Social Capital as a Source to Drive Next Wave of Innovation for Socioeconomic Revenues

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Abstract

The idea "Creating shared value" (CSV) offers a resolute direction to the debate on the link between business and society which can be restored through three distinct actions such as a) reconceiving products and markets; b) redefining productivity in the value chain; and c) building supportive industry clusters. The critical analysis predicts that the path of these actions is progressive in nature and their scope apparently ranges from narrow to wider deliberations. Keeping variant scope of proposed actions, this particular paper encapsulates only first course of action which indirectly is anticipating a new wave of innovation. For this new wave of innovation, the role of social capital is explored to determine the extent this capital can drive next wave of innovation. In this regard, a model is proposed to predict the link between various dimensions of social capital and innovation that can produce both social and business revenues. The proposed model is based on the assumption that social capital is not limited to network theory only rather its origins are deep rooted and relations with community are more important and relevant. If organizations emphasize more and invest in developing relationships with network actors like suppliers, customers and rivalry firms, then potential benefits of social capital might be unnoticed. Therefore, similar to defining 'value' too narrowly due to strategic myopia, keeping the social circle of small radius also limit the organization's ability to exploit the embedded potential of social capital.

Key Words:

Creating shared value (CSV), Social capital, Innovation, Network relationship(s)

Introduction:

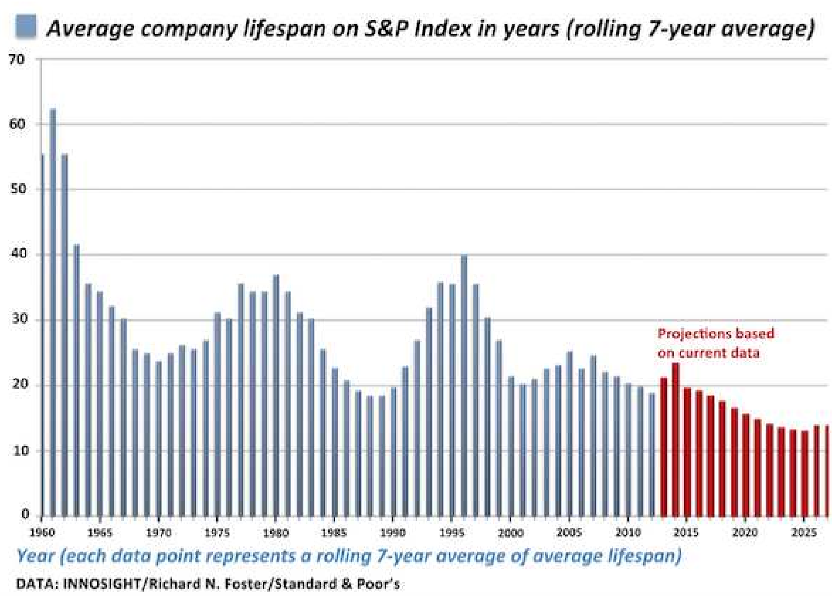
Porter and Kramer (2011) in his paper published in Harvard Business Review proposed a resolute direction to the debate on the link between business and society. In that paper, the idea of "Creating shared value" (CSV) is presented and they offered three distinct actions to bridge the missing link between business and society. These three distinct actions include: a) reconceiving products and markets; b) redefining productivity in the value chain; and c) building supportive industry clusters. Since the conception of CSV term spotlighted by Porter and Kramer (2011), majority of the scholars, academicians and practitioners acknowledged it as a key driver of economic growth, a new source of competitive advantage, new tactic to certify business legitimacy and emerging business-society reconciliation. However, others stream of scholars of view that CSV is just as a buzzword, extended form of strategic philanthropy, an old wine relaunched in new wineskins, it echoes more powerfully the idea of serving the market of "bottom of the pyramid (BOP)" or it is relaunching the idea of 'inclusive business'. All of these are the initial reactions and it is too early to jump in and join any one of the stream at time when debate is infancy phase and empirical evidences in support or against are still scarce. To contribute purposefully, an effort is required to develop in-depth conceptualization of CSV and proposed actions of Porter and Kramer (2011).

The critical analysis of proposed course of actions of Porter and Kramer (2011) predicts that the path of these actions is progressive in nature and their scope apparently ranges from narrow to wider deliberations. Conceiving new products or services is a R&D activity of an organization, whereas redefining productivity in the value chain required holistic evaluation and realignment of strategies related to value chain's interdependent various business components and partners. The cluster development requires collaborative efforts of public sector as well as private players like suppliers, services providers etc. Keeping this variant scope of proposed actions, this particular paper will encapsulate only first course of action which indirectly anticipating a new wave of innovation. For this wave of innovation, the role of social capital is also explored to determine the extent this capital can drive next wave of innovation.

Business and Society

The debate on the link between business and society is not new and a lot of literature is available in which one stream of scholars believe in profit maximization, free market and capitalism philosophies and clearly delimitate this divide. They argue that social and business objectives are distinct and social issues have no link with business problems and business entities must keep themselves apart from these social issues. The rationale behind this perspective is the conviction about business the scholars have and argued that as long as businesses remained within ethical and legal boundaries, there is no need to be apprehensive about big issues of society and businesses need to convince themselves that it is prior responsibility of governments to address these issues. This stream of scholars is influenced by the ontology "*doing things right".* However, other believe in stakeholder theory, ethical commitment and sociology perspectives of the business and argued that with the main purpose of a business, the scholars get confused by perceiving is as the sole purpose whereas, the complex business generally peruse multiple objectives (Williamson, 1985). Serving the society in totality is also attributed in multiple objectives of most of the business especially big corporations emphasize more on this aspect while defining their business objectives; however, the irony of these kinds of practices is that businesses keep such objectives on periphery and respond for short period of time. Such scholars believe that businesses are not operating in air rather embedded in the social structure and due to strong interdependence of both business and society, the obligations of business not limit to direct stakeholders only rather to whole society. It is not a matter of doing things right rather businesses need to *do right things*.

In spite of making claims about doing right things, the rising disparity and inequality in society, the profit maximization race among multinational corporations, the escalating concerns on global warming, loss of business legitimacy, frequent emergence of economic crises and many other issues fueled the opinion that business is the core cause of many social problems. To tackle this emergent thought, it is imperative that companies have to reposition themselves, redefine their purpose, and reshape their corporate culture rooted with a mission derived from social pledge (Porter & Kramer, 2006). In this regard, an initial response to these mounting pressures of society and different stakeholders is observed in recent past. The companies started to get involved in umbrella activities like 'corporate social responsibly (CSR)' projects and tried to shift the focus exhibiting that companies had started to engage themselves in *doing right things* rather *doing things right;* however, in spite of pouring of too much money in CSR projects, intensity of social problems is on the rise and raising objections about *what are right things* or *what is the right way to do right things.* To search 'right things' and 'right way' to do these things, it is essential that distorted link between business and society must be restored. It can be done by eradicating 'strategic myopia' of businesses about value creation. Businesses suffering from this strategic myopia as they define value creation too narrowly, execute short-term strategic plans, and continuously reposition their outlook to ensure survival. With this strategic myopia, the pursuit of sustainable competitive advantage is blurry because until and unless, the businesses overcome the impaired vision and anticipate the big opportunities available once the missing link between society and business is re-established. In the vibrant and turbulent business environment, the most dire dilemma is sustainability because how long a business can remain profitable, generate enormous revenues or endure legitimacy. It is evident form S&P 500 index or average life of Fortune 500 companies. A large number of companies that remained at top on S&P 500 index are removed from list and are replaced by new companies. S&P 500 index identified a sharp negative slope of lifespan of companies during 1958 to 2012 as average lifespan is dipped from 61 years to 18 years (S&P Index, 2012). It is also predictable that with this rate, more than three-quarters of the S&P 500 companies would become part of history till 2027. Similar trend is also observable for Fortune 500 companies and in less than 10 years from 1999, 50% of the companies had disappeared from the list (Goodburn, 2015). Reasons like mergers, acquisitions, bankruptcy and many others one can identify causative to this low life span of companies; however, the decline trend is also offering opportunities and indirectly it bears a resemblance with the idea of "creative destruction" – a term coined by economist Joseph Schumpeter, 1883-1950 – (Schumpeter, 1909) by reinventing new product, processes and adopting strategies fit-in with environment and society.



For survival, then grow and ultimately to sustain, it is desirable that businesses not become a charity subscriber, rather businesses must evolve with new business models economically viable for both businesses and society and also address the growing issues of society. In these models, there is need that companies must consider stakeholders as business partners involve them in problem solving rather treat them as customers, economic beneficiaries or sources of productions only (Spitzeck & Chapman, 2012). The new challenges of to remain sustainable offer a drive to organizations to enter new phase of learning (Zadek, 2004), considering these challenges as opportunities and redefine or realign strategies by fit in sustainability and there is need to put a brake on such initiatives enfolded with risk-aversion persuasion to tackle these challenges.

It is not voiced by Porter and Kramer (2011) that each business need to care of all ills of society as it is impossible for any business due lack of capacity and limited resources. However, each business instead of getting absorbed into gigantic competition, can locate a particular mix of social problems and tried to fix with new business model supported by best available resources which ultimately can offer inimitable competitive advantage. Any effort to fix shortlisted social problems through charity or philanthropic activities will bear lack of strategic resolve, and will be distracted, reactive, short-term controlled, image building driven, and detached from real community issues. Because, whether these activities serve the purpose or not but it is evident that such activities strengthen nothing but firms' repute and public opinion. Such efforts to restore the missing link between business and society will remain considered deficient because of the invisible impediment mirrored as a mind-set which keeps societal issues at periphery instead of core and involved in activities like CSR to manifest businesses' keenness and response towards external pressure (Porter & Kramer, 2002).

To develop new business model, enrich information and awareness about societal issues is must. One way of getting awareness of various social issues is level of interaction any business keep with society. The level of interaction transcribed as social capital a business maintained; purpose to augment such capital may vary from one business to other. The businesses integrate social capital and internal knowledge stock and serve existing markets with new products and services having equivalent economic value for both society and business i.e. ensuring companies' long term success and meaningful social progress. The level and intensity of interaction and social capital is attributed from various perspectives in literature; for instance, among countries and geographical regions (Fukuyama, 1995), societies and groups (Putnam, 1993a), organizations (Baker, 1990), and individual levels (Belliveau, O'Reilly, & Wade, 1996; Portes & Sensenbrenner, 1993). Social capital is a major source of knowledge, acquisition, enhancement and sharing which can be done by enhancing interaction among network members through different means either physically or electronically to ensure access to knowledge (Chua, 2002).

Social Capital

In literature numerous definitions and manifestations of social capital are discussed. For instance, according to Tsai and Ghoshal (1998), societies, networks, organizations or even individuals represent different facets of social capital. The intangible nature and breadth of social capital concept reflects its popularity, multidimensionality and primordial feature of social ties. The spectrum of social capital notion become broader because of elastic nature of the term (Lappe & Du Bois, 1997) and a conception perceived differently by many people (Narayan & Pritchett, 1999). It is also debatable to call it as "capital". For some scholars, the inclusion of economic terms in sociology has created this confusion (Baron & Hannan, 1994) and for them, the literature on social capital is just a specimen of "plethora of capitals". The use of term 'capital' is metaphorically correct and appropriate; however, if social capital is included in the heterogeneous list of resources and considered it as a source of economic gain then for someone it become hard to identify what damage such metaphorical uses produced because social capital bears a resemblance to some kinds of capital and varies from others (Araujo & Easton, 1999). To delimitate this umbrella concept (Hirsch & Levin, 1999) by reducing overlapping aspects across different disciplines, the scholars form different fields like sociology, political sciences, economics and management are trying to conceptualize it to make it fit-in their domain and also making efforts to search answers of the questions raised in various studies. These scholars can be clustered on the basis of views they expressed about social capital. One group discussed social capital from internal-external lens (Burt, 1992) whereas other view social capital as individual vs. collective perspective (Coleman, 1994). Other viewpoints about social capital available in literature portrayed it as cognitive vs. relational and structural domain (Nahapiet & Ghoshal, 1998; Wu, 2008) expressive vs. instrumental ties (Ibarra & Andrews, 1993) and bonding vs. bridging (Putnam, 1993b).

Like other resources, human is also considered as an important resource from economic point of view which shapes environmental factors; however, with change of perspective i.e. from sociological point of view, human is perceived as an actor that is shaped as a result of societal factors. Both actors and social capital's sources lie in same social structure and this capital as a resource available to actors as a function of their social relationships (Putnam, 1993a, 1993b). The network of relationship is one of those factors used for the multiple purposes at micro level (individuals) or macro level (organizations, community, region and country). At micro level, actors tried to accrue potential benefits from formal/informal ties (Burt, 1992) but at micro-macro level (organizations), the actors tried to exploit this capital and engage network partners for collective action (Freel, 2000; Nahapiet & Ghoshal, 1998). But at more macro level (region, countries, societies), the social ties have the potential of generating value that can impact on the good fortune of collectivity (Bourdieu, 1986; Coleman, 1994; Putnam, 1993a, 1993b).

Community and networks are considered as major sources of social capital. Networks facilitates knowledge flow and spillover across networks actors and that knowledge becomes a source to drive innovation. According to Lin (2002), social capital is an "investment" of network actors to build social relations can be used to gain access to information and embedded resources. At organization level, individuals remain connected with each other and with individuals outside the organizations (suppliers, customers, stakeholders, community) and this connectivity provides opportunities to extent their access to new resources. The connectivity businesses maintained with outside actors appeared in the form of alliances (joint ventures, merger/acquisitions) whereas this connectivity sometimes emerged as "contact" networks consequential of recurrent and repetitive interactions. The strength, worth and efficiency of social capital is dependent on the networks' structure closure i.e. the extent the actors remain connected with each other (Coleman, 1994) and are mobilized. The actors utilize this connectivity and mobility to enhance economic returns and competitive advantage. The connectedness promotes trustworthiness, cooperation and shared norms among actors. The level of connectivity, communication, cooperation and coordination between and within networks and social ties are key essentials to cultivate trust, a prerequisite for social capital. Any breach of trust and norms weakens social capital resulting damage any opportunity of mutual transaction among network actors.

The social capital like other capitals is an enduring asset and to generate (non) economic benefits, individual or collectivity (firm, group, country etc.) can invest more resources or it can be deliberately constructible (Evans, 1996). The generation of economic benefits is possible due to convertibility of social capital into economic capital, however its convertibility rate into economic or other form of capitals is low as it is stickier and has less liquefy rate (Anheier, Gerhards, & Romo, 1995). The social capital can expand efficiency of economic capital as it can play complementary role and can reduce transaction costs (Adler & Kwon, 2002). To extract long-lasting benefits and to avoid loss in efficacy of social capital, maintenance plans are required to renew social bonding. With these plans and continuous interaction, social capital grow like human capital; however, the capital depreciated or become obsolete with least interaction or contextual changes (Sandefur & Laumann, 1998) and problem become adverse because depreciation rate is neither predictable nor measurable with conventional accounting models (Adler & Kwon, 2002). The social capital unlike public goods is not private property of the actors of social network who get benefited from it (Coleman, 1988) as no one has exclusive ownership of such capital (Adler & Kwon, 2002) and such capital remained there and does not vanish for other actors of the network; however, the decision to give exemption to include or exclude other actors is dependent on the strength of the relationships (Hechter, 1988). In contrast to this, social capital is also perceived as private property of individuals or collectivity (DeFilippis, 2001) due to its uneven distribution and individuals or collectivity exploit it for their benefits depending on their position, interaction and network strategies (Leana & Van Buren, 1999). The differential benefits of individuals or collectivity supports this argument (Burt, 1997). The development and augmentation of social capital is not sole responsibility of any individual actor rather it is collective commitment and cooperation of all actors to build social capital and location of this capital is likely in relations with other actors.

Adler and Kwon (2002) summarized the literature on social capital systematically and argued that most of the deliberations are in fact manifestations of social capital. According to Adler and Kwon (2002), social capital is ‘‘the goodwill available to individuals or groups. Its source lies in the structure and content of the actor’s social relations. Its effects flow from the information, influence, and solidarity it makes available to other actors’’ (p. 23). The crux or common viewpoint about social capital discussed in literature can be concise into two points: first it refers to stock of social relations vested in such very relationships (Piazza-Georgi, 2002); and second it is developed to gain benefits by virtue of ones’ connection in a social network (Portes, 1998). The nature of social structure is dependent on the type of relationship exist between actor and social structure.

Social Capital and Innovation

The shift of economy from capitalistic to knowledge-intensive outlook, the demand of critical appraisal of different facets of knowledge creation and transfer across various domains is increasing (Crosby, 2000) and innovation is most popular and dominant facet of knowledge creation (Collinson, 2000). Innovation is nothing but to create new possibilities with added value (Schumpeter, 1934) and it is also being acknowledged and is consistently represented as the *only* sustainable strategy for creating long-term value (Drucker, 1994; Grant, 1996; Hamel, 1998, 2012; Hamel & Prahalad, 2013; Nonaka, 1994; Prahalad & Hamel, 1990). Initial wave of innovation is dominantly driven by the urge “how to innovate” and for this purpose, traditionally, the source of inspiration for innovation emerged either within the organization or within competitive arena however, in knowledge economy, there is need to expand the sources of inspiration as new and unique challenges demand fresh lens to address those challenges; societal issues contribute major portion of those challenges. In capitalistic economy, the scope of inspiration was narrow as innovation is perceived as an isolated activity without any formal or informal interaction among various actors and for this reason, companies hired insightful and contrarian professionals and thinkers (Birkinshaw, Bouquet, & Barsoux, 2011) who are anticipated to invent new idea wrapped with commercial value. During this isolation, innovation emerged as outcome of an abrupt flash of insight of such thinkers.

In contrast to this isolative activity, innovation is now perceived and propagated as a social process (cross country investigation) and as a result like other management disciplines the effects of social capital on innovation are reported in literature (Burt, 1997; Inkpen & Tsang, 2005; Nahapiet & Ghoshal, 1998). The manifestation of this social process is “open innovation”. However, the question is still unanswered whether these innovations are able to bridge the gap between society and business. Companies tried to attract new ideas available beyond their boundaries and companies consider inter-organizational networks as a main source for information and resources. The market places and consumers are also attributed as social fabric of bigger structure of community; however, the whole society or issues of common man as a source of information remain at periphery. The principal intention of organizations embracing open innovation is sharing 'risk and reward'.

In spite of considering innovation as social process, the efforts like reaching customers deeply or introducing mass customization options in products/service are not sufficient (Simanis & Hart, 2009). The important aspect "why to innovate" was either missing or too narrowly defined in those innovations. The importance of this aspect is appreciated at time when burden of societal disorder is shifted towards business and due to low firm's life expectancy, the business world is trying to pursuit new drive to upsurge the pace and diversify the next wave of innovation. No doubt, the current innovations are made for the progress and to make this world enriched and value-added but it is not sustainable to use innovation as strategy to strive benefits of business and ignoring social progress or other way round. It is imperative to keep balance between both business and social progress and it will help to restore missing link between business and society. As a result of this balance, a window of opportunities for innovation and growth can attract companies seeking sustainable social and commercial returns. According to Prahalad and Hart (2002), businesses should explore societal needs to exploit unmatched opportunities (products and markets) for competitive differentiation. The new sources of competitive advantage are embedded in those opportunities. Porter and Kramer (2011) also proposed that businesses have to transpire with a new mental model that can drive next wave of innovation and CSV has the potential to serve the purpose and become a fresh mental model for eventual wave of innovation.

The access to information required for innovation is dependent on the extent an organization socially connected with community. The acquired information is then combined with organization's knowledge stock and experience to produce new product/service. The rate of innovation and organizations' capability to combine and exchange information are linked together (Smith, Collins, & Clark, 2005). According to study of Akçomak and Ter Weel (2009), the pace and high yield of innovation is dependent on high stocks of social capital. According to them, to attain economic progress from social capital, innovation is a central mechanism for such transformation (Akçomak & Ter Weel, 2009). In their study, trust is identified as a proxy for social capital, a prerequisite and core component of social capital for social exchange, commination, and to outline shared social norms. The excessive level of trust reduces control mechanisms and monitoring costs (Knack & Keefer, 1997). It is also categorized as a driver of innovation at the societal level (Dakhli & De

Clercq, 2004). The reduction in uncertainty, growth in communication and interaction among individuals is possible due to generalized trust i.e. interpersonal facet of trust (Beugelsdijk & van Schaik, 2005) because the role of trust in social ties is like a lubricant used to eliminate unavoidable friction of social life and also key driver to reduce transaction cost (Fukuyama, 1995). The actors with strong social ties are prone to share resources like experience, skills and knowledge because trust as a glue keep reciprocated tie long-lasting (Doh & Acs, 2010). Networks which are also considered as a sources of social capital, the tendency to join such setups is more in those social structures where trust, shared norms and mutual support is available (Putnam, 1993b). In dense networks, the prospects to get know-how about new technologies and ideas rise due to increased connectedness and interaction (Fountain & Atkinson, 1998). The passive membership in such networks may result in lost opportunities of information access (Doh & Acs, 2010).

Shared norms and values attributes are also used to describe the culture of a society. According to Hofstede (1980) cultural inventory predicts that cultural differences exist among countries and micro analysis of this difference explains that level and pace of innovation are most common consequences of this difference among countries. The societies more inclined toward individualism and non-hierarchal or willing to deal with uncertainty instead of uncertainty-aversion are more prone to innovation (Shane, 1992, 1995). The organizations of such social structure with risk-aversion mind-set tried to operate in an environment having less uncertainty, less dynamism and remained in low profile in terms of innovation. The adoption or adaption of various strategies, novel ideas, practices and drive to innovation are influenced by external environment (Damanpour & Gopalakrishnan, 1998; Zaltman, Duncan, & Holbek, 1973). In stable and rather predictable environment, the pace of innovation remained low because of less competitive posture from competitors, adequate time to think and plan, whereas in dynamic and unpredictable environment, the tendency to adopt new strategy and pace of innovation transpire with brisk rate to absorb the fluctuation of environment (Damanpour & Gopalakrishnan, 1998). According to (Freel, 2005), it is not a matter of certainty/uncertainty of environment rather more precisely it is the perception top management who proclaim such status of environment due to lack of enough information. The perception and deficient in information resulted in their inability to make opportune decisions like to innovate (Daft & Becker, 1978) and unable to predict fluctuation adding uncertainty in the business environment (Miles & Snow, 1978; Miller & Friesen, 1982). To respond long lasting survival and sustainability intentions, it is essential to react expeditiously to block unforeseen environmental shocks and innovation in terms of new products, services or process is the precise reaction (Freel, 2005) as by ascertaining the attached cost of alternative decision threat to collapse can be avoidable (Taalikka, 2002). Such response is also anticipated by Miles and Snow (1978) and according to their proposed typology, the prospectors with rapid innovation drive and performance can outperform its competitors. Therefore, with such innovation drive and having sources of inspiration rooted in social fabric of community, both economic and social growth can be ensured with new wave of innovation.

Proposed Theoretical Framework

Like other forms of capitals, for instance physical capital (plants, equipment etc.), human capital (knowledge, skills, abilities etc.), if value of social capital is realized then it is also by and large considered important and efforts are made to find the effects of social capital on various management disciplines. The effects are measured in terms of economic or social exchange or both. Nahapiet and Ghoshal (1998) defined three interrelated dimensions i.e. structural, cognitive and relational of social capital that support the type of exchange.

Structural Dimension

This dimension of social capital described the connectivity, interaction, relationship or impersonal configuration the actors or units of social ties keep. According to Burt (1992), it refers to the pattern of relationships, i.e. to whom in social structure actors will remain connected and how actors will be reached out. The ability of an individual or organization to acquire relevant and opportune information from community is proportional to number of connections, interactions or social ties (Capaldo, 2007; Nahapiet & Ghoshal, 1998) however, the access to complex, rich or private information is dependent on the strength of the social ties (Hansen, 1999; Levin, Cross, & Abrams, 2002). The density (frequency of interactions), diversity of relations (technical, operational), and level of interactivity (individual, organizational) offers multiplicity of opinions, experiences and knowledge and by connecting different nodes the actors can produce specialized outcomes. Such relations are also used to validate the exchanged information that actors possess and thus increase reliability, consistency and non-redundancy of the information. According to Bourdieu (1986), such resources are embedded in social structure but it is the ability of actors (organizations) to exploit those resources and transformed into those innovations that can generate economic and social revenues. The diverse relations and connectivity leverage actors' learning capabilities and absorptive capacity to foster innovations (Shu, Wong, & Lee, 2005) to penetrate existing or enter new markets. The in-depth social ties of R&D personnel in social and inter-organizational networks provide direct access to rich information (tacit as well as explicit) to create novel opportunities for economic growth (Uzzi, 1997). The scholars are convinced that socially embedded linkages and exchanges are an important mean to promote innovations

(Holmen, Pedersen, & Torvatn, 2005). According to Tsai and Ghoshal (1998), increased number of interactions strengthens capability of organization to exchange and integrate resources which enhances innovation capacity of organization.

Proposition 1: *Socially embedded concentrated linkages of organizations with community will provide access to tacit and explicit knowledge necessary for innovation that can generate economic and social revenues.*

Cognitive Dimension

This dimension also called by Rindfleisch and Moorman (2001) as "knowledge redundancy", is about the extent shared understandings, interpretations, or perspectives the actors practice and exchange (Nahapiet & Ghoshal, 1998). The most common tools that foster such sharing include common language, vocabulary, norms, symbols and narratives. Sharing common language ease the information understanding and percolation and limit information overflow. The access to relevant information is likely if actors interact in same language (Nahapiet & Ghoshal, 1998; Weber & Camerer, 2003). Not only common language, shared symbols narratives, codes and stories are also useful for transfer of knowledge and information. Acquisition and integration of new information received through shared symbols and narratives is contingent upon how differently new information is presented and context specificity of acquired information is defined by a heuristic (Zahra & George, 2002). Shared understanding of language, symbols, and narratives is prerequisite for learning (Zahra & George, 2002). Due to shared symbols or narratives, capability of actors increases to learn collectively (Moorman & Miner, 1997) and also able to interpret information to infer common meanings (Kogut & Zander, 1992) that promotes synchronized behavior towards issues of community. According to Inkpen and Tsang (2005), cognitive dimension of social capital refers to develop common approach to accomplish shared missions and outcomes. The actors having deeper understanding about existence of relationships among them contribute required nature and level of efforts to achieve shared goals and targets (Jap & Anderson, 2003). Such relationships and understandings also limit the probability of rise of conflicts, if any. In short, the understanding of behavioral norms facilitates actors to work collectively and attain goal congruency such as developing shared innovative strategies to create value to safeguard long-term competitiveness. Due to such accumulated cognitive social capital, new mental models emerge that foster innovation and exploitation of new opportunities. In addition to this, the knowledge acquisition ability of a company continuously gets refined when company integrate its current unique knowledge stock with that knowledge assimilated from network and which is also available to all other actors of the network.

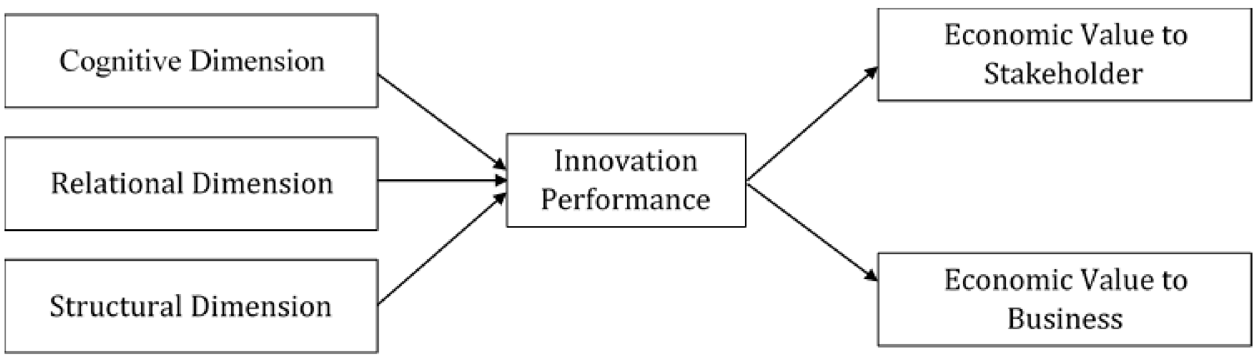
Proposition 2: *Socially embedded linkages of organizations with community based on shared behavioral norms and values will provide access to tacit and explicit knowledge necessary for innovation that can generate economic and social revenues.*

Relational Dimension

This dimension also called as "relational embeddedness" (Rindfleisch & Moorman, 2001), is about quality of connectivity the actors keep. The quality of connectivity is dependent on the interactions' history (Granovetter, 1985) which leads towards relationships of trust, commitments and reciprocity (Fukuyama, 1995; Nahapiet & Ghoshal, 1998; Ring & van de Ven, 1992; Ring & Van De Ven, 1994). To cultivate such relationships of trust, it is essential that actors maintain a certain level of communication, collaboration and coordination linkages. Such level of linkages develops over time through repetitive interactions expressing actors' willingness to share resources (Dyer & Nobeoka, 2000). Due to relational capital, the actors tend to engage in a strategic partnership and maintain long lasting economic and social relationships. The trust makes it possible to transfer tacit knowledge (Levin & Cross, 2004) because transparent behavior facilitates willingness among actors for social cooperation and exchange (Fukuyama, 1995; Ring & van de Ven, 1992; Ring & Van De Ven, 1994). The trust even facilities the exchange of confidential or private information (Knack & Keefer, 1997). With repeated contacts, interactions and transactions, the trust deficiency reduces and actors have a tendency to be least alarmed about the opportunistic intension and behavior of others. The tacit knowledge transfers when there is assurance, informal contact, and face-to-face communication (Kogut & Zander, 1992; Levin & Cross, 2004) because tacit knowledge obliges insights and beliefs and both are intertwined tightly with knowledge sources' experience (Polanyi, 1966). In case of explicit knowledge, the role of trust is not stronger as it is already codified and available for sharing but access and transfer of that knowledge is facilitated by trust. When actors attain a repute of trustworthiness and exploitation of opportunistic behavior is least, the exchange and combination of resources increase necessary of development of novel ideas and innovation.

Proposition 3: *Socially embedded linkages of organizations with community based on trust will provide access to tacit and explicit knowledge necessary for innovation that can generate economic and social revenues.*

These three dimensions of social capital explains the flow, extent and quality of the information and knowledge in the social ties. That knowledge is an important source and input to drive and foster innovation (Knack & Keefer, 1997). According to Lengrand and Chatrie (1999), the focus of various organizational measures is transformed; for instance, the productivity of a firm is now observed as "systemic productivity of relations" instead of "additional productivity of operations" and firms' interactions are now acknowledged as new source of competitiveness. Similarly, the outcomes of innovation are not restricted to business growth rather societal progress and economic value for social stakeholders is also essential. The performance and success of innovation is dependent on the shared value of innovation to target society and business. The success of most of the innovations is measured in terms of profit-driven ability and its return to society, business and particular group. But it is irony that the benefits of innovations appreciate only for those who either develop these or who can afford such innovation. The real shared value in not limit to providing solutions to societal needs through novel products and services rather the degree of adoption of innovation by society contribute substantial improvements in terms of economic and social revenues for both society and business.



Discussions

In this paper, the proposed model is based on the assumption that social capital is not limited to network theory only rather its origins are deep rooted and relations with community are more important and relevant. If organizations emphasize more and invest in developing relationships with network actors like suppliers, customers and rivalry firms, then potential benefits of social capital might be unnoticed. Currently bulk of the literature accessible on social capital and innovation discussed the effects of inter-organizational networks on innovation. The concept of social capital is very narrowly defined because in such relationships through networks, firms collaborate for mutual commercial benefits like cost reduction, sharing and pooling resources, risk aversion etc. In these social relations, instead of encompassing in orthodox rivalry and exhaust resources to achieve short-term advantage, firms collaborate, complement resources and emerged with novel knowledge and products/processes to achieve multiplying or even exponential commercial gains but the effect of their relationships on novelty of product is least (Pérez-Luño, Medina, Lavado, & Rodríguez, 2011). The social capital is also used to nurture cartels to reap more profits, strengthen industry control and exploit community unethically (Ostrom, 2000). In these social ties, the economic value for social actors (community) is overlooked. Such narrow social ties lock organizations into carefully chosen but narrow network (suppliers and customers) which limits the sources of inspirations and increase dependency on small externalities reduces innovation and strategic flexibility (Capaldo, 2007; Collinson & Wilson, 2006; Pérez-Luño et al., 2011). Similar to defining value too narrowly due to strategic myopia, keeping the social circle of small radius also limit the organization's ability to exploit the embedded potential of social capital. According to Uzzi (1997), there exist a threshold in embedded relationships that can disrupt organizations' performance due to collective blindness (Villena, Revilla, & Choi, 2011) which keep organization insulated from knowledge and information available beyond their network. Such relations also have tendency to produce diminishing returns for actors involved in social ties due to high cost to maintain such relations (McFadyen & Cannella, 2004). The organizations invest to build long relationships with stakeholders like customers, suppliers etc. to ensure repeated trades, product customization, supply of resources and to reduce transaction costs. However, such relations generate curvilinear revenues and with passage of time the revenues declined as such repeated transactions tend to inclined towards homogenous knowledge stocks (Coleman, 1988) reducing innovation capacity of partners (Uzzi, 1997). The aim of such investments is knowledge acquisition to introduce strategic innovation that can generate economic value for both business and community but due to homogeneous thinking, routines and alike mental models reduce continuous learning and the identification of creative solutions become inconsistent (Villena et al., 2011). Such relationships increase dependency on existing suppliers/buyers and ultimately reduces the opportunity to switch and search new capable suppliers and markets (Kern, 1998) to acquire new sources of inspiration, information and knowledge necessary to drive next wave of innovation. Therefore, it is essential that to exploit real benefits of social capital and to make innovation process easier and speedy, identify actual target i.e. community as a new source of inspiration and build social capital around it.

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