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Social Capital Benchmarking System (SCBS)

7.1 Introduction

In the knowledge economy, organizations build sustainable competitive advantages that rely not only on their internal IC, but also on the IC of other companies, organizations and institutions and, specifically, on that of the cluster (Porter, 1990), micro-cluster or territory where the company is located. This kind of IC, basically external, and of a relational nature, is one of the main constituents of networked organizations. From now on, it will be called social capital (Nahapiet and Goshal, 1998) because it is embedded in the social fabric (texture) of the nearby environment. Theoretical work in the field of social capital (Coleman, 1988; Burt, 1992; Putnam, 1993; Nahapiet and Goshal, 1998; Castiglione et al., 2008) provides a solid foundation for examining how networked organizations can rely on their social capital to build competitive advantages.

At the same time, and more recently, a new school in strategic thinking has started to consider clusters, attaching a geographic dimension to the value-creating system. The ‘ecosystem theory’ not only attributes the success of firms to their presence in attractive markets or to the availability of superior resources for production, but also offers a new perspective, arguing that the entire value-creating system of a firm contributes to its success. This explicitly includes its network of business partners and its relationship towards them.

The present models of IC are focused on the internal IC value chain and do not take into account this social capital when building and managing networked organizations that intend to achieve sustainable competitive advantages. The Social Capital Benchmarking System
(SCBS) tries to fill up this gap, providing the foundation of a visible social capital model that complements the existing IC models.

SCBS is both a new management method and a new management tool, which identifies, audits, and benchmarks the resources and capabilities of social capital that exists in alternative cluster locations that are necessary to develop the specific network organization that each particular business model requires. SCBS has been successfully piloted in five European enterprises.

7.2 Building the SCBS framework: theoretical background

Intelligent enterprise (Quinn, 1992), which has been presented as a new paradigm for a new era to build sustainable competitive advantages, concentrates on building and exploring core activities and core competencies, and relying on the capabilities of external suppliers for other activities considered non-strategic and non-core.

But, at the same time, when building internal core competencies, an intelligent enterprise needs the cooperation of other companies', organizations' and institutions' resources and capabilities. More and more, firms must turn to partnering – often with their rivals – to secure the right resources and capabilities for pursuing new opportunities. As more companies realize the need to acquire outside knowledge, they are searching for partners to exchange knowledge, skills and technologies. The ability to survive in today's competitive environment requires skills that often do not exist within the organization (Farrell and Taylor, 1995). Even though few managers are accustomed to working with undefined boundaries between collaboration and competition, the need to take advantage of the unfamiliar skills and capabilities that can come from interdependent networks of alliances and cooperation agreements is a *sine qua non* condition for building proprietary core capabilities that can lead to sustainable competitive advantages (Doz and Hamel, 1998).

In the context of KE, networking and cooperation within and between organizations becomes a typical way to organize operations and to conduct business (Hastings, 1995), emerging as an alternative and arguably superior organizational form to that of markets and hierarchies. The networking idea has been especially attractive as a means by which SMEs can collaborate to compete more effectively in the global marketplace. The premise is that clustering and networking among smaller firms provides them with the potential to achieve