

# The responsibilities of the state and businesses in the creation of social capital

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**Abstract:** According to different types of studies conducted in recent years, not natural but social factors will constitute a major barrier in the process of achieving sustainable development. The barrier will be quickly noticed in the countries and regions of low social capital. The purpose of this article is to present responsibilities for state authorities and enterprises in the creation of social capital. This conducted study of literature has enabled the creation of a set of methods that impact these entities as to the nature of the relationship and level of trust within certain social structures. This presented work may serve as reference points for entities implementing similar solutions in their environment. The author cites numerous examples which oppose the opinion that the level of social capital is only a result of inheritance. The current generation can take the initiative in this regard, although it is a long-term process. The author also points out the dependence of the effectiveness of measures taken to adapting them to the specific context in which the group operates. He also draws attention to the role of society, which, like the state and commercial entities is responsible for raising the level of social capital.

**Keywords:** social capital, sustainable development, corporate social responsibility, CSR

**JEL codes:** Z13, M14

## 1. Introduction

Striving to reach balance between prosperity of the current and future generations can be supported by a capital approach to sustainable development. It assumes maintaining a constant value of the capital owned by society. The overall value of the capital is the sum of five different kinds of capital: financial, productional, natural, human and social (OECD, 2008: 5). Of these kinds of capital, social capital deserves special attention as it plays a double role in the process of sustainable development. It is not only the resource owned and managed by society but also a measure used to spread new value systems and attitudes concerning e.g. respect for nature

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(Rubaszkiwicz, 2008: 136).

Statistical data, on the use of natural resources, indicates that the world economy is consistently approaching the natural barriers of development. However, according to research conducted on social capital, sooner than that we will have to contend with the limitations of a social nature. In the case of Poland, there are about 8 years remaining until the accumulation of social capital resources to enable further development of the country (Czapiński and Panek, 2015: 344). After this period, we can no longer rely solely on human capital, which for years has been the main driver for growth of the Polish economy. It will be important not only what we represent as a sum of individuals but also whether we can cooperate.

In the article the author created a set of tasks for state bodies and enterprises in raising the level of social capital. Research hypothesis is the idea that both of these types of entities have a wide range of methods which can be used to positively impact the relationships and level of trust within certain social structures. Verification of the hypothesis was based on studies of literature.

The concept of social capital has become popular in recent years among both researchers and participants of various kinds of public debates. Frequent reference to it does not go hand in hand with the proper understanding of this very ambiguous and multidimensional term. Therefore, before proceeding to examine ways of creating social capital, it is necessary to make an effort to understand its meaning.

## **2. Social capital – the term and the mechanism of creation**

Social capital was first named in 1916. L. J. Hanifan (1916: 130) presented it as an important factor in human development which cannot be replaced by other types of resources. A similar view was represented by P. Bourdieu, but for him social capital is not a specific resource itself. Instead, social capital is a means of access to goods held by others (Bourdieu, 2001: 249). Thus, the social capital of a company is worth as much as the resources available in their social network. The most common definition of social capital, however, is the one formulated by R. D. Putnam (1995: 66), who considered it as: "*features of social organizations, such as social networks, norms and social trust that facilitate coordination and cooperation for mutual benefit*".

Among the many definitions of social capital that have arisen in recent decades, there is no one definition that would consistently and comprehensively describe its essence. Theoretical

disputes concern, *inter alia*, the selection of the elements of social capital. The researchers represent a wide range of points of view. They freely choose a definition that best fits the nature of the analysis carried out by them, or formulate a completely new one. This makes it difficult to measure social capital, and thereby the planning and implementation of methods aimed at raising its level.

Social capital is created wherever there is relationship between at least two parties. In practice, it is difficult to find examples of people living in seclusion and who are fully independent from others. Even the decision to become a hermit is also some kind of interaction but not necessarily a positive one. Therefore, instead of the lack or possession of social capital it is better to consider it as the low or high level. Actors with high social capital derive from it a number of benefits also on economic grounds. To mention only those which are most often indicated: the reduction of transaction costs (Rexrode et al., 2006: 154) and the improvement of well-being (Geepu Nah Tiepoh and Reimer, 2004: 441). Looking through the prism of these positive aspects, scientists started to think about the possibility of interfering in the level of social capital.

According to R. D. Putnam (1993: 169), social capital of the group is conditioned by the historical and cultural factors. Objectives that the group is able to achieve in the future are determined by its past. Depending on whether the generation inherited the historical ballast of mistrust or a positive impetus to cooperation, it is located on a specific path of development, which may aim at one of the two equilibrium points. The first, is a path for societies of low social capital, which previous negative experiences resulting from relationships with others, cause their gradual closing against third parties. The second point of balance pulls in open societies with successful experience in cooperating with others, which in an effect, remain open to establish new relationships. This would mean that efforts to increase the level of social capital are useless, at least in the short term. But R. D. Putnam's theory is not shared by all theorists. According to P. Bourdieu (2001: 250) social capital is not given once and for all. Creating new, or even maintaining the existing social relations requires investment. The size of the "return" from these investments depends on the nature of the social structure, but even the existence of such return is a sign of increasing level of social capital. Many examples of this kind of investments can be found in literature. They seem to be an impulse disturbing the relative stability and predictability of model societies described by R. D. Putnam.

Accepting the thesis of the legitimacy of measures aimed at raising the level of social capital, we should also consider which entities should take on this responsibility. Social capital is

a specific phenomenon, which functions simultaneously as a public and private good (Putnam, 2000: 20). Therefore, in the process of its development should be involved not only state, but also commercial operators in the market. An important role in creating social capital is played also by society itself which is represented by non-governmental organizations.

### **3. State bodies' influence on creating and strengthening social ties**

Creating social capital by state bodies is a top-bottom approach which consists of providing good conditions and motivating to build new relationships between actors. The projects in this area can be effective only if the government will no longer be mostly the regulator and the controller but to a greater extent the organizer and moderator of social dialogue (Potapchuk et al., 1998: 213). Operation of state bodies should not result from the intentions of the narrow group of people selected for specific positions, but from the needs and goals of society as a whole. The direction in which the country, region or local environment are heading, should be picked by social consensus. Finding a common vision of development is possible through activities such as public consultations and participatory budgeting. When it comes to public meetings in Poland, in 2015, the attendance rate was equal to 19.4% (Czapiński and Panek, 2015: 372). A similar turnout in the case of participatory budgeting may be considered as high, as it is still a relatively new initiative (Mojkowski and Kraszewski, 2014: 17). The participation rates were higher in regions where the time of casting votes lasted at least a few days, and where online voting was allowed. Submitting votes via electronic tools often turned out to be significantly more popular than the traditional form of voting. It is important to note that participatory budgeting needs to be: transparent, supported by an information campaign, and low enough to keep the responsibility for the development on the local authorities (Mojkowski and Kraszewski, 2014: 17). This way, certain conditions to cooperate are created, but the citizens are the ones to decide whether they would like to make use of existing possibilities. Therefore, the creation of social capital should also include the formation of the desired attitudes and behavior among individuals.

In this area schools are the most important player as this is the place where people are educated and brought up. It has a wide variety of tasks in the process of shaping social attitudes. Firstly, it is important to care for the cultural capital, which makes social ties stronger and sustains the sense of belonging. Secondly, students should have the proper conditions to develop their

hobbies through extra-curricular activities such as interest clubs, volunteering circles and sports teams. Organizational skills and social competence gained in these structures can then be used in adult life. Young people recognize benefits and the force of change coming from cooperation and self-initiative. The last, but most important function of school is education about the functions of local governments, the principles of the functioning of societies and the role of the third sector and civil society (Mikiewicz et al., 2001: 163). With this education in place, the future enthusiasm for action will not be dimmed by the inability of management, problems in raising funds or meeting the formal requirements. To the tasks of the school mentioned above we can also add care for the right emotional background to build and maintain relationships – atmosphere that encourages dialogue and is filled with mutual trust (West-Burnham and Otero, 2004: 5).

Even if educational entities will manage to develop positive qualities in children, it is uncertain whether this potential will be used properly. Open-minded individuals with self-initiative and willing to work must be supported with a suitable field of action, the space where one can implement a variety of projects, meet, and gain inspiration. This is the role of public space which is a specific place "*created and maintained by the public authorities, available to all citizens*" (Jackson, 1984: 52). This space can have a geographical dimension, but it also includes the abstract concepts such as online discussion forums. The development of the Internet communication is one of the phenomena which has recently significantly changed the public space in terms of both quality and quantity. To this major factor we should also add the impact of the culture of fear, consumerism (Szatan, 2012: 95), and molecular development of Polish society (Czapiński and Panek, 2015: 344). All of this contributes to gradual degradation or losing the public space which is transformed at the expense of empty or private space. The most popular examples of this are closed settlements which violate social and spatial cohesion as well as smaller towns nearby big cities which social function is limited only to so called "bedrooms".

The tasks of the authorities in regard of public space should be two-fold. On the one hand, care should be taken in regards of availability and quality of existing public space – maintaining cleanliness, security, good communication and appropriate infrastructure facilities. Secondly, it is also necessary to plan public spaces in areas newly inhabited. The existing regulations on zoning plans seem to be an insufficient tool. In the case of both towns and villages we can observe emerging examples of chaotic building development. Financial factors seem to outweigh the public interest, in effect, often only quasi-public space as communication channels cut the consistent mix

of private and commercial areas. The situation could be improved by implementing the coherent three-level development plans – national, regional and local (Sikorska, 2010: 161). In addition, the authorities could implement requirements concerning public space and social services into contracts with developers.

Aforementioned developers, entrepreneurs representing all other industries, as well as public sector institutions benefit from high level of social capital. It means that it is reasonable to expect that they all should participate in social capital creation.

#### **4. Creation of social capital in business field**

Organizations create social capital in two ways. Firstly, they develop internal relationships that are primarily associated with the formation of bonding social capital, also known as the capital of survival. Secondly, they establish cooperation with external parties operating in the environment which leads mainly to an increase of bridging social capital which is the important factor of development. Keeping the proper ratio between these types of social capital is as important as simply increasing its general level (Putnam, 2000: 22).

Creating social capital within the organization should be based on a system approach and address all stages of employees' life in the organization. It starts even before the process of recruitment and selection. The company needs to create a profile of the employee, taking into account not only the "hard" competencies, but also desirable interpersonal skills such as leadership and conflict management or willingness to cooperate. Selection of the employees, is only the first phase of this complex process. According to the concept "hire and wire" it is important not only to find adequate workers but also to incorporate them properly into the internal social structure (Krebs, 2008: 39). The sooner this happens, the sooner employees will have an access to the resources necessary for effective realization of tasks. At this stage, it is worth remembering about the Social Network Analysis, the tool usually supported by specialized computer software. It allows not only for examining the relationship between employees in terms of quantity and quality, but also for identifying the most important members of the network and the direction of the flow of resources. The knowledge gained through this method gives managers the possibility to modify and reconstruct the network including personal changes.

After a period of acclimation and internalization of the principles of organizational culture, a new employee becomes a member of the social network and from now on is obliged to fulfill certain obligations. The effects of his work are subject to monitoring and evaluation. The point is that interpersonal skills should also be examined. This type of analysis can be performed using methods such as Assessment Center, observation and interviews. It should be remembered that the requirements toward workers, also in terms of social relations, must be unambiguous and clearly presented. Many companies adopted internal codes of conduct governing a number of ethical and legal issues. As a result, employees know what behaviors will not be tolerated, and with whom to consult in case of doubt. The most common issues recognized in the codes include: tolerance, anti-corruption, insider dealing, as well as conflict of interest. Handing a copy of the code to each employee in his or her own language is an exemplary practice.

An important supporting element to code of conduct is the reporting channel. It is created not to spread snitching inside organization but to allow for whistleblowing which means reporting unethical and illegal behavior adversely affecting the internal order. Those who become a party or a witness to all sorts of unacceptable behavior should be able to make anonymous and confidential report to ombudsman, ethics office or external organization. Moreover, reliable applications submitted in good faith should never entail negative consequences in terms of working conditions and employment status.

The last stage of the life cycle of an employee within the organization is the termination of employment. At this point, the social capital of the company decreases in a direct way, and the structure of the social network is rapidly remodeling. The duty of the manager is to prepare the organization to the new situation, as well as ensuring proper relations with the departing employee. Responsible companies do not only comply with the law relating to the period of notice and severance payment, but also come up with an additional initiative. There are companies who provide assistance in finding a new job, retraining or psychological counseling. Although these activities are associated with the specific costs, it is more likely that the company will maintain good relations with employees, who henceforth become the representative of the environment – external entities.

Analyzing the relationships between the organization and the environment one should take advantage of the concept of stakeholders. This term covers all groups which have an impact on the organization or are under its influence (Freeman, 1984: 46). Creating positive relations with

stakeholders not only helps to increase bridging social capital, but also helps to obtain a social license to operate.

In this case it is helpful to use a stakeholder map which is created on the basis of the information about the main fields of cooperation, the characteristics of the relations, and the directions of resources' flow (Stoner et al., 2001: 80). As a result, in relation to particular groups of stakeholders the company can use tools of impact, tightening their cooperation. The most popular of them are: organization of cultural events for the local community, free training for providers and internship opportunities for students of nearby universities. The company shall also apply some methods common to all groups of stakeholders. One of them is a stakeholder forum which consists of regular meetings with representatives of the groups of stakeholders most associated with the company. Topics of sessions usually relate to the development of the organization as well as plans for further cooperation. With this kind of meetings mutual trust can be built. The company is seen not only as a business player, but a partner, an integral part of the social system.

Social problems are solved also by charity, which is the direct channel of companies impact on the social environment. Within the term charity we can distinguish different kinds of activities, from fund-raising by allowing employees to volunteer during work hours, to running the foundation. Regardless of the form of the initiative, it is important not to operate only as a company as a whole but also to engage employees. In this context an interesting form of support are matching donations. They consist of carrying out the collection for a specific purpose among employees when the company agrees to double the accumulated amount. In this way, the actions aimed at external relations of the company can also strengthen internal ties.

Charity is an important component of the concept of corporate social responsibility, which is perceived as a source of social capital. Research confirms the thesis about increasing the level of organizational social capital through the implementation of the responsible practices strategy (Antoni and Portale, 2011: 579). Starting from creating this strategy the company can benefit from closer cooperation with third parties and better understanding of their needs and expectations. Moreover, the parties involved in the project are then forced to reach a consensus, which positively affects the level of mutual trust. For managers this is an opportunity to learn by doing, and to gain experience useful in further management of relations with stakeholders.

When it comes to creating social capital through corporate social responsibility it is important to consider implementation of SA8000 and AA1000APS standards. They help to stimulate both bonding and bridging social capital. SA8000 is based on international human rights and refers mainly to internal relations. It covers regulations concerning e.g. working conditions and governance. The second standard, AA1000APS covers stakeholders relations. Better reputation, transparency of operations and mutual sharing of knowledge with external partners, are only some of the benefits coming from implementation of these standards (Młokosiewicz, 2011: 12).

## 5. Conclusion

Contrary to R. D. Putnam's thesis about the impossibility of forming the level of social capital, there are many successfully completed projects described in literature. Although their overall result will be known only in the long term, the achievements already seem to bring the specific groups closer to sustainable development.

The unsatisfactory level of social capital in Poland appears to be the result not only of historical and cultural factors, which have been shaped over the centuries. It's high time we realized that the present generation is also partly to blame that we make too little effort to change the nature of social ties within Polish society. We do not fully understand the importance of social capital, also in economic terms. Therefore, the use of different kinds of methods for creating social capital by state bodies or even more private actors, can still be seen as an exception rather than the typical practice. Moreover, short-term financial calculation often takes precedence over the public interest, thereby exacerbating the imbalance between the economy and society – two pillars of sustainable development.

Analyzing the methods of creating social capital, we should not forget also about the second of the above mentioned pillars. Society also bears responsibility for a high or low level of social capital. Its members should feel the eager to work for the general public and they can do this in many ways e.g. through fulfilling their civic duties, or being responsible consumers. A significant role in this process is played by non-governmental organizations. Their existence itself is an indicator of the presence of social capital. No matter what their main field of activity is, they are an expression of cooperation skills and resourcefulness of the group. However, there are specific organizations for which social capital is the main goal of the operation. Examples include

organizations like *The Social Capital Foundation* or *BetterTogether*. They help other entities in establishing relationships, building trust and promoting cooperation.

The idea of social capital is closely related to cooperation. Therefore, the activity of these entities: the state, business actors and society intertwine and reinforce. On some levels, this cooperation is particularly evident. Leader Programme and the Local Action Groups functioning within its framework unite the representatives of the three mentioned areas around initiatives focused on sustainable local development, especially in rural areas. More than three hundred of such Groups operating in Poland, contribute to the creation of social capital in a direct way (Miś, 2015: 292).

Methods mentioned in this paper are merely examples of measures aimed at raising the level of social capital. They can be considered as a reference point for both local authorities and business agents. However, in the process of implementing similar initiatives the importance of the unique context in which the social structure operates should be taken into consideration. Simply copying even the most effective methods does not always lead to positive results and can bring the outcome different than intended. Attempts to influence social capital in each case should be based on the individual approach – taking into account the history of the community, its culture and value system.

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### ***Przez kapitał społeczny do zrównoważonego rozwoju***

#### ***Streszczenie***

Według różnego rodzaju badań przeprowadzonych w ostatnich latach, to nie czynniki przyrodnicze, a społeczne będą stanowić główną barierę w osiągnięciu zrównoważonego rozwoju. Jako pierwsze, będą musiały zmierzyć się z nią państwa i regiony niskiego kapitału społecznego. Celem niniejszego artykułu jest ukazanie zadań organów państwowych oraz przedsiębiorstw w zakresie tworzenia kapitału społecznego. Przeprowadzone studium literatury, umożliwiło stworzenie zestawu metod oddziaływania wspomnianych podmiotów na charakter relacji oraz poziom zaufania wewnątrz określonych struktur społecznych. Zaprezentowane działania mogą stanowić punkt odniesienia, dla podmiotów wdrażających podobne rozwiązania w swoim otoczeniu. Autor przytacza liczne przykłady zaprzeczające twierdzeniu, iż poziom kapitału społecznego jest wyłącznie wynikiem dziedziczenia. Obecne pokolenie może podejmować inicjatywę również w tym zakresie, choć jest to proces długotrwały. Autor wskazuje przy tym na uzależnienie efektywności podejmowanych działań od dostosowania ich do specyfiki kontekstu w jakim funkcjonuje dana grupa. Oprócz tego zwraca uwagę także na rolę społeczeństwa, które podobnie jak państwo i podmioty komercyjne ponosi odpowiedzialność za podnoszenie poziomu kapitału społecznego.

***Słowa kluczowe:*** kapitał społeczny, zrównoważony rozwój, odpowiedzialność społeczna, CSR.